United Nations
A/70/325

General Assembly

Distr.: General
14 August 2015

Original: English

Seventieth session
Items 133 and 134 of the provisional agenda*

Programme budget for the biennium 2014-2015

Proposed programme budget for the biennium 2016-2017

Administrative expenses of the United Nations Joint Staff Pension Fund

Report of the United Nations Joint Staff Pension Board

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* A/70/150.

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Summary

The present report contains the revised budget for the United Nations Joint Staff Pension Fund for the biennium 2014-2015, which indicates a reduction in appropriations amounting to $1,115,700. This reduction comprises amounts under expenditures for investment costs ($3,815,100) and audit costs ($68,800), offset in part by increased administrative costs of $2,768,200. The revised appropriations for the biennium 2014-2015 would then amount to $176,550,800, divided into administrative costs ($93,768,500), investment costs ($79,898,500), audit costs ($2,475,000) and Board expenses ($408,800). Of this amount, $21,596,700 is chargeable to the United Nations under the cost-sharing arrangement. The revised estimate for extrabudgetary costs in 2014-2015 is $148,100.

The report also contains budget estimates for the period from 1 January 2016 to 31 December 2017, which amount to $178,211,300 (before recosting), to cover administrative costs ($90,361,400), investment costs ($83,856,400), audit costs ($2,893,500), Pension Board expenses ($944,200) and extrabudgetary costs ($155,800). The report provides for a total of 257 continuing established posts, 21 new established posts, 1 extrabudgetary post and the reclassification of 6 posts.

Resource requirements

	Resources (thousands of United States dollars)		*Posts*	
Category	*Appropriations 2014-2015*	*2016-2017 (before recosting)*	*2014-2015*[a]	*2016-2017*
Administrative	91 000.3	90 361.4	182	192
Investment	83 713.6	83 856.4	85	86
Audit	2 543.9	2 893.5		
Pension Board	408.8	944.2		
Extrabudgetary[b]	155.8	155.8	1	1
Total	**177 822.3**	**178 211.3**	**268**	**279**

[a] Includes 10 temporary posts that were abolished as at 1 January 2015.

[b] One extrabudgetary General Service (Other level) post funded by member organizations.

I. Overview

1. The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and such other organizations as might be admitted to membership. There are currently 23 member organizations; the combined number of active participants and beneficiaries in payment as at 31 December 2014 amounted to 195,126.

2. In accordance with the regulations adopted by the General Assembly, the Fund is administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee. One third of the Board members are chosen by the General Assembly and the corresponding governing bodies of the other member organizations, one third by the executive heads and one third by the participants. The Pension Board reports to the General Assembly on the operations of the Fund and on the investment of its assets. In addition, the Secretary-General reports directly to the General Assembly on the investments of the United Nations Joint Staff Pension Fund and on measures taken to increase the diversification of the Fund. The assets are managed by the Representative of the Secretary-General on behalf of the Secretary-General after consultation with the Investments Committee and in the light of the observations and suggestions made from time to time by the Pension Board on investment policy. When necessary, the Board recommends amendments to the regulations that govern, inter alia, the rates of contribution by the participants (currently 7.9 per cent of their pensionable remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation and the benefits to which participants and their dependants may become entitled.

3. The expenses of the Pension Fund are met by the Pension Fund, and expenses incurred by member organizations are met by the organizations. All member organizations of the Pension Fund are required to provide their own staff pension committee; however, the Fund is providing the services of a staff pension committee of the United Nations (including its funds and programmes) on behalf of the United Nations. To reimburse the Pension Fund for the expenses incurred in providing those services on behalf of the United Nations, the Pension Fund and the United Nations have agreed on a cost-sharing arrangement. Accordingly, the budget estimates separate total resource requirements between the Pension Fund and the United Nations.

II. Budget estimates for the biennium 2014-2015: performance report

4. Table 1 summarizes the total estimated expenditures for the biennium 2014-2015. In order to make the performance report of the Fund more meaningful, the expenditures for the biennium comprise two distinct elements: (a) actual expenditures for the 16-month period from 1 January 2014 to 30 April 2015; and (b) estimated expenditures for the 8-month period from 1 May 2015 to 31 December 2015.

5. In its resolution 68/247, the General Assembly approved appropriations for the biennium 2014-2015 totalling $177,666,500, comprising administrative costs ($91,000,300), investment costs ($83,713,500), audit costs ($2,543,900) and Board

expenses ($408,800). Of this amount, $156,341,800 is chargeable directly to the Fund and $21,324,700 is the share of costs borne by the United Nations. In addition, resources amounting to $155,800 were authorized for extrabudgetary costs and funded by a number of member organizations.

Table 1

Revised estimates for the biennium 2014-2015 by object of expenditure

(Thousands of United States dollars)

	Approved appropriation			*Expenditure 1 January 2014-30 April 2015*			*Estimated expenditure 1 May-31 December 2015*			*Increase (decrease) for 2014-2015*			*Proposed final appropriation 2014-2015*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
		(a)			*(b)*			*(c)*			*(d) = (b) + (c)-(a)*			*(e) = (a) + (d)*	
Administrative costs															
Posts	28 956.2	12 946.5	41 902.7	18 634.6	8 579.3	27 213.8	10 918.3	4 650.5	15 568.8	596.7	283.2	879.9	29 552.9	13 229.7	42 782.6
Temporary posts	1 193.1	–	1 193.1	1 044.2	–	1 044.2	–	–	–	(149.0)	–	(149.0)	1 044.2	–	1 044.2
Other staff costs	4 395.6	975.6	5 371.2	2 898.6	607.8	3 506.5	2 028.3	584.5	2 612.8	531.4	216.7	748.1	4 927.0	1 192.3	6 119.3
Consultants	843.0	–	843.0	350.0	–	350.0	135.3	–	135.3	(357.7)	–	(357.7)	485.3	–	485.3
Travel	1 357.5	–	1 357.5	730.7	–	730.7	542.9	–	542.9	(83.9)	–	(83.9)	1 273.6	–	1 273.6
Contractual services	19 978.7	2 949.3	22 928.0	16 604.1	2 639.8	19 243.8	7 153.0	271.7	7 424.7	3 778.3	(37.8)	3 740.5	23 757.1	2 911.5	26 668.5
Hospitality	4.2	–	4.2	1.4	–	1.4	2.8	–	2.8	–	–	–	4.2	–	4.2
General operating expenses	11 947.6	3 454.1	15 401.7	6 947.9	3 166.0	10 113.9	3 657.2	279.5	3 936.7	(1 342.5)	(8.6)	(1 351.1)	10 605.1	3 445.5	14 050.6
Supplies and materials	139.4	69.7	209.1	74.7	29.7	104.3	66.4	47.4	113.8	1.6	7.3	9.0	141.1	77.0	218.1
Furniture and equipment	1 284.1	505.5	1 789.7	476.2	226.9	703.1	317.8	101.2	419.0	(490.1)	(177.5)	(667.6)	794.0	328.1	1 122.1
Total	**70 099.5**	**20 900.7**	**91 000.3**	**47 762.2**	**15 249.4**	**63 011.6**	**24 822.1**	**5 934.7**	**30 756.9**	**2 484.8**	**283.4**	**2 768.2**	**72 584.3**	**21 184.1**	**93 768.5**
Investment costs															
Posts	22 095.0	–	22 095.0	12 662.0	–	12 662.0	8 433.0	–	8 433.0	(1 000.0)	–	(1 000.0)	21 095.0	–	21 095.0
Other staff costs	2 546.8	–	2 546.8	990.9	–	990.9	1 169.6	–	1 169.6	(386.3)	–	(386.3)	2 160.5	–	2 160.5
Consultants	1 491.6	–	1 491.6	639.0	–	639.0	154.3	–	154.3	(698.3)	–	(698.3)	793.3	–	793.3
Travel	2 192.5	–	2 192.5	764.4	–	764.4	604.2	–	604.2	(823.8)	–	(823.8)	1 368.7	–	1 368.7
Contractual services	47 162.2	–	47 162.2	30 238.9	–	30 238.9	13 288.1	–	13 288.1	(3 635.2)	–	(3 635.2)	43 527.0	–	43 527.0
Hospitality	24.5	–	24.5	23.8	–	23.8	20.7	–	20.7	20.0	–	20.0	44.5	–	44.5
General operating expenses	7 076.4	–	7 076.4	5 990.6	–	5 990.6	3 794.3	–	3 794.3	2 708.5	–	2 708.5	9 784.9	–	9 784.9
Supplies and materials	177.9	–	177.9	50.7	–	50.7	127.2	–	127.2	–	–	–	177.9	–	177.9
Furniture and equipment	946.6	–	946.6	18.8	–	18.8	927.9	–	927.9	0.1	–	0.1	946.7	–	946.7
Total	**83 713.6**	**–**	**83 713.6**	**51 379.1**	**–**	**51 379.1**	**28 519.4**	**–**	**28 519.4**	**(3 815.1)**	**–**	**(3 815.1)**	**79 898.5**	**–**	**79 898.5**

	Approved appropriation			Expenditure 1 January 2014-30 April 2015			Estimated expenditure 1 May-31 December 2015			Increase (decrease) for 2014-2015			Proposed final appropriation 2014-2015		
	Pension Fund	United Nations	Total	Pension Fund	United Nations	Total	Pension Fund	United Nations	Total	Pension Fund	United Nations	Total	Pension Fund	United Nations	Total
		(a)			(b)			(c)			(d)=(b)+(c)-(a)			(e)=(a)+(d)	
Audit costs															
External audit	645.5	129.1	774.7	645.5	129.1	774.6	0.0	0.0	0.0	0.0	0.0	0.0	645.5	129.1	774.6
Internal audit	1 474.4	294.9	1 769.2	952.6	190.5	1 143.1	464.4	92.9	557.3	(57.3)	(11.5)	(68.8)	1 417.0	283.4	1 700.4
Total	**2 119.9**	**424.0**	**2 543.9**	**1 598.1**	**319.6**	**1 917.7**	**464.4**	**92.9**	**557.3**	**(57.3)**	**(11.5)**	**(68.8)**	**2 062.6**	**412.5**	**2 475.0**
Board expenses	**408.8**	–	**408.8**	**202.8**	–	**202.8**	**206.0**	–	**206.0**	–	–	–	**408.8**	–	**408.8**
Total resources	**156 341.8**	**21 324.7**	**177 666.5**	**100 942.2**	**15 569.0**	**116 511.2**	**54 012.0**	**6 027.7**	**60 039.6**	**(1 387.7)**	**272.0**	**(1 115.7)**	**154 954.1**	**21 596.7**	**176 550.8**
Extrabudgetary costs (after-service health insurance system)															
Operational activities	**155.8**	–	**155.8**	**71.9**	–	**71.9**	**76.2**	–	**76.2**	**(7.6)**	–	**(7.6)**	**148.1**	–	**148.1**

6. Total expenditure for the biennium 2014-2015 is estimated at $176,550,800, comprising administrative costs ($93,768,500), investment costs ($79,898,500), audit costs ($2,475,000) and Board expenses ($408,800), resulting in underexpenditure of $1,115,700, or 0.6 per cent of the total appropriation. The projected expenditure of $148,100 for extrabudgetary costs will result in underexpenditure of $7,600, or 4.9 per cent of the extrabudgetary appropriation.

A. Administrative costs

7. The $93,768,500 in estimated administrative costs for the biennium 2014-2015 will result in overexpenditure of $2,768,200, or 3.0 per cent. The main variances contributing to the overexpenditure are attributable to the extension of the testing period for the Integrated Pension Administration System project (IPAS) and higher salary costs in the Fund's Geneva office as a result of the appreciation of the Swiss franc.

8. The main variances are set out below.

Posts — overexpenditure of $731,000

9. The overexpenditure of $731,000, or 1.7 per cent, is attributable to increased costs with respect to established posts in the Geneva office as a result of the significant appreciation of the Swiss franc during the biennium, offset in part by reduced expenditure under temporary posts.

Other staff costs — overexpenditure of $748,100

10. The overexpenditure of $748,100, or 13.9 per cent, is attributable to increased salary costs with respect to general temporary assistance staff in the Geneva office as a result of the significant appreciation of the Swiss franc during the biennium, and also to increased general temporary assistance requirements to cover an extended period of sick leave in the Geneva office.

Consultants — underexpenditure of $357,700

11. The underexpenditure of $357,700, or 42.4 per cent, relates to savings measures taken, including the cancellation of a planned consultancy for the development of a new Fund-wide operating model in coordination with IPAS. In order to economize, the Fund dealt with the issues related to the business operating model by streamlining the work of the transition manager in coordination with all business areas.

Travel — underexpenditure of $83,900

12. The underexpenditure of $83,900, or 6.2 per cent, is attributable to efforts to reduce travel costs through increased use of videoconferences and teleconferences.

Contractual services — overexpenditure of $3,740,500

13. The overexpenditure of $3,740,500, or 16.3 per cent, is attributable to additional requirements for the IPAS project. Owing to the significant and unanticipated project enhancements associated with the enterprise-wide implementation of IPAS, the Fund needed to extend the scope of implementation

services, including new (unforeseeable) features and improvements such as the amendments to article 1 (*n*) (normal retirement age), article 29 (early retirement benefit) and article 30 (deferred retirement benefit) of the regulations of the Fund (see General Assembly resolution 68/247 A), the new routing of payments to 13 Central and West African countries (thereby reducing banking charges and benefiting more than 1,000 retirees and beneficiaries), increased information technology security and control measures (leveraging new technology) and additional testing and training activities, resulting in an extension of the project timeline. The extension also allowed for the consolidation and streamlining of payroll processes (which are currently separated by payments in advance and in arrears) as well as an extended testing phase, including user acceptance and end-to-end testing, and greater user training of both New York-based and Geneva-based staff. This is in line with the recommendation of the Pension Board that the system not go live before critical functionalities (including the benefits payroll) are fully operational and have been fully tested. The administrative complexities of carrying out the Fund's business processes, especially those involving exchange rate relativities, cost-of-living adjustments and the year-end process, had to be factored into the determination of the new go-live date. In order to be prudent, the Fund ensured that the year-end process and the generation of the financial statements for the year ended 31 December 2014 were completed in the legacy system through the deployment of the new system, commencing in June 2015. The cost reductions expected for IPAS, as indicated in the high-level business case approved by the Board, are expected to be fully recovered during the approved time frame.

General operating expenses — underexpenditure of $1,351,100

14. The underexpenditure of $1,351,100, or 8.8 per cent, is attributable mostly to continued savings in bank fees as a result of the implementation of a new contract with a reduced bank fee structure and the development and introduction of a process that automates routing for more complex payment cases (in addition to improving the control environment and reducing the number of returns and reissuances of payments), as well as to savings in communications costs.

Furniture and equipment — underexpenditure of $667,600

15. The underexpenditure of $667,600, or 37.3 per cent, is related mostly to savings in information technology software and equipment within the Information Management Systems Service. In order to achieve savings to be redeployed to contractual services, the Service developed an optimization strategy that allowed for the extension of the useful life of several software applications and types of equipment until the next biennium. The efforts were focused on the following:

(a) The package acquisition for server application software has been optimized to achieve the required desktop productivity and application development;

(b) Miscellaneous software purchase provisions for the procurement of software as an emergency option have been temporarily reduced, and some software licence upgrades will be made during the next biennium;

(c) The replacement of monitors and desktops and the upgrading of obsolete technology have been staggered and reduced and partially planned for the next budget cycle;

(d) The storage technology and infrastructure required to support the existing storage area network have been reduced and optimized.

Projects undertaken during the biennium 2014-2015

Integrated Pension Administration System initiative

16. During the biennium 2014-2015, the Fund carried out the "implementation" and "testing, training and deployment" phases of the Integrated Pension Administration System project and initiated the deployment of the solution in June 2015. Moreover, the Fund: (a) completed the configuration of all business requirements, which are now in the final testing stage; (b) subjected the configured items to several layers of testing, both by the IPAS team (verification testing) and by the business community (validation testing, followed by user acceptance testing); (c) reconfigured external interface pipelines so that data could be fed from outside sources into the new solution (this included conduits for the transfer of data from member organizations as well as those needed for the extraction of "reference data" used by the Fund, such as exchange rates, salary scales and consumer price index information); (d) created and implemented a communication plan by means of a communication matrix for project-related communication with internal and external stakeholders; (e) completed an exercise to identify potential changes in roles for the business units through a comparison of existing business processes with those designed for IPAS; (f) created a training plan and training materials for the education of internal and external users of the system; (g) created a transition strategy and a transition plan to guide activities prior to, during and after the commissioning of the new system; (h) readied the infrastructure for hosting the production instance of the IPAS solution and for the business continuity and disaster recovery process; (i) identified data sources, created data libraries, mapped "legacy" data into the required format for the new system application (this included a very exhaustive process of reviewing and cataloguing old documents and files dating back several decades), cleansed data and migrated data to the new environment; and (j) worked on preparatory activities for the final release of the IPAS solution. The Fund continues to work to ensure that IPAS is able to fully and accurately process the Fund's payroll. In the light of the experience gained from user acceptance testing, the IPAS project direction team has decided to add a "controlled parallel deployment" phase to the project, allowing for dual entry of limited transactions while mirroring the June and July payroll cycles in both the Pension Fund administration system (PENSYS) and the Vitech V3 system. In essence, during that time IPAS will be fully functioning in the background while PENSYS remains the primary system for processing transactions and executing disbursements. The legacy environment is expected to be completely decommissioned as at 1 August 2015, when IPAS will be moved to a full disbursement mode. Multiple dry runs are also planned to build a reliable and repeatable data migration and operational transition process. During that period, the Fund will continue to cleanse the legacy data to the extent possible.

17. The Fund has also planned and is preparing for the post-implementation phase of the project, which will begin as soon as the new solution has been released for general use in 2015.

Member organization information-sharing initiative

18. The member organization information-sharing initiative, now known as the pension interface programme, is a series of projects that establish automated interfaces between participating member organizations and the Fund. The interfaces capture required information about participants employed by member organizations. The scope of the programme includes two main interfaces, consisting of the human resources interface and the financial (contribution) interface.

19. At the beginning of the biennium, approximately 75 per cent of participant human resources information was interfaced electronically by means of several interfaces that were mainframe-based point-to-point solutions, requiring substantial recurring maintenance. In order to reduce the maintenance burden, a new interface called the "common human resources interface" was introduced. A pilot project with the United Nations Industrial Development Organization (UNIDO) was successfully implemented. Thus far, the United Nations Educational, Scientific and Cultural Organization, the International Maritime Organization, the United Nations Children's Fund, the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO) have deployed the new interface successfully; it is scheduled to go live at the International Atomic Energy Agency (IAEA), the International Telecommunication Union, the World Food Programme, the International Civil Aviation Organization and the United Nations Secretariat by the end of the biennium 2014-2015, reaching more than 85 per cent of the participant population.

20. As for contribution reporting, every year 80 reporting entities send more than 300 year-end schedule files in total. This usually results in more than 10,000 data discrepancies (reflecting variances between expected and real contributions, which are usually due to, among other things, changes in salary level (promotions) and staff relocation to a different reporting entity; the annual review represents an additional layer of data integrity assurance). The annual year-end processing has been a major source of concern for both the member organizations and the Fund. In order to reduce discrepancies, streamline the review process and reduce manual processing, the Fund introduced a new "common financial interface" solution that receives the contribution data directly from the organization's payroll system on a monthly basis. The prototype solution was implemented at FAO successfully in 2014, and the projects at WHO, IAEA and UNIDO are currently in progress and scheduled to go live later in 2015.

B. Investment costs

21. Total expenditure for the biennium 2014-2015 is estimated at $79,898,500, resulting in underexpenditure of $3,815,100, or 4.6 per cent. The main variances contributing to the net underexpenditure are set out below.

Posts — underexpenditure of $1 million

22. The underexpenditure of $1 million, or 4.5 per cent, is attributable mostly to the time required for the recruitment of staff to fill the 20 new posts approved in the biennium 2014-2015.

Other staff costs — underexpenditure of $386,300

23. The underexpenditure of $386,300, or 15.2 per cent, is attributable mainly to decreased requirements for training, owing to exigencies of service as the Investment Management Division continues to recruit towards a full staff complement during this time of market volatility. As a result, the Division has opted to take advantage of the frequent, localized, shorter-term and no-cost training opportunities offered by various financial institutions (including the CFA Institute, Bloomberg, HOLT and Barra), such as the planned ethics training for all Division staff in cooperation with the CFA Institute.

Consultants — underexpenditure of $698,300

24. The underexpenditure of $698,300, or 46.8 per cent, results from the postponement and cancellation of planned consultancies. Of the four consultancies planned for the Investments Section during the biennium, the asset/liability management study consultancy has been the only one undertaken to date. For the remainder of the biennium, the Investment Management Division anticipates the implementation of the frontier market strategy and socially responsible investment consultancy, with the mandate of the latter subject to review by the Representative of the Secretary-General for the Investments of the United Nations Joint Staff Pension Fund. The hedge fund monitoring consultancy will not be implemented, given that the selection of a hedge fund adviser is currently in process. The accounting advisory consultancy contract has expired, and the procurement of a new adviser is under way. The consultancy on Murex was not utilized, owing to the termination of the Murex software licence contract as at 31 December 2014 and the decision to decommission the system.

Travel — underexpenditure of $823,800

25. The underexpenditure of $823,800, or 37.6 per cent, is attributable to the non-attendance of Committee members at meetings, the exigencies of service as vacant posts were being filled and necessary projects completed, and the replacement of travel with videoconferences.

Contractual services — underexpenditure of $3,635,200

26. The underexpenditure of $3,635,200, or 7.7 per cent, is a result of the termination of BNP Paribas fixed-income advisory services as at 31 January 2015, the expiration and non-extension of the Murex software licence as at 31 December 2014 and the postponement of the selection of a hedge fund adviser until later in 2015.

Hospitality — overexpenditure of $20,000

27. The overexpenditure of $20,000, or 81.4 per cent, results from higher-than-anticipated catering costs for the Investments Committee.

Operating expenses — overexpenditure of $2,708,500

28. The overexpenditure of $2,708,500, or 38.3 per cent, results mainly from the costs associated with the renovation of the new office space for the Investments Section and higher-than-anticipated rent for the new space. The 2014-2015 budget

proposal for the new office space was based on the best estimates available at the time.

Projects undertaken during the biennium 2014-2015

Bloomberg PORT: portfolio analysis system

29. The Bloomberg PORT portfolio analysis system is an essential tool for day-to-day portfolio management. This project consisted of the implementation of a new version of the system in order to provide further functionalities for its users and ensure full integration with the investment data coming from the custodian banks of the Investment Management Division. The project started in August 2013 and was completed in April 2015.

Bloomberg AIM: trade order management system

30. The implementation of the Bloomberg AIM trade order management system is scheduled to start in July 2015 and to be completed in March 2016. Bloomberg AIM will replace the pre- and post-trade processing functionalities provided by the Charles River system.

Omgeo system

31. The Omgeo confirmation and affirmation system has been further enhanced to include all equity market brokers. The enhancement was completed in December 2014. As a result, all equity trades are now electronically confirmed and affirmed.

HOLT investment analysis tool

32. The HOLT investment analysis tool was implemented in February 2014.

Charles River trade order management system

33. The Charles River trade order management system was enhanced to include automated updating of the equity benchmark on the basis of custom data feeds from Bloomberg data licence. In addition, the system was updated after the decommissioning of Murex to include post-trade processing. The decommissioning of Murex was completed in December 2014, and the implementation of post-trade processing in the Charles River system was completed in February 2015.

Decommissioning of Murex

34. The Murex system contract expired and its functionalities were retired on 31 December 2014. Some of those functionalities were migrated to the Charles River system, and others were replaced with paper-based processing.

Messaging (e-mail), Active Directory security management and file-sharing systems

35. The Investment Management Division successfully upgraded the messaging (e-mail), Active Directory security management and file-sharing systems to Microsoft Windows 2013 technologies. The upgrading of the messaging system included the implementation of a mobile device management system that allowed the Division to secure and remotely manage handheld devices. This project was completed in April 2014.

Other projects

36. The legacy portfolio measurement and investment accounting system is being upgraded to an up-to-date technology.

37. All desktop computers of the Investment Management Division were upgraded to Microsoft Windows 7 and Microsoft Office 2015 technologies.

C. Audit costs

38. Total expenditure for the biennium 2014-2015 is estimated at $2,475,100, resulting in slight underexpenditure of $68,800, attributable mostly to reduced requirements of the internal auditors for contractual services, as activities that had been planned to be outsourced were carried out by internal staff.

D. Board expenses

39. Total expenditure for the biennium 2014-2015 is estimated at $408,800, with no variance from the approved budget.

E. Extrabudgetary costs

40. Total expenditure for the biennium 2014-2015 is estimated at $148,100, resulting in underexpenditure of $7,600, or 4.9 per cent. This is attributable to a lower actual staff salary cost compared with the budgeted standard salary cost for a General Service (Other level) post.

III. Budget estimates for the biennium 2016-2017: results-based budgeting frameworks and analysis of resource requirements

A. Introduction

1. Overview

41. The United Nations Joint Staff Pension Fund is a multi-employer defined benefit plan providing retirement, death, disability and related benefits to more than 72,300 retirees and beneficiaries. Currently, some 122,800 active participants from 23 member organizations of the Fund are accumulating pension rights and continue to be serviced by the Fund. The assets of the Fund stood at $52.8 billion at the end of 2014. The Pension Fund is self-administered in accordance with regulations adopted by the General Assembly. The Pension Board is responsible for managing the Fund and reports annually to the Assembly. The day-to-day operations of the Fund are overseen by the Chief Executive Officer, and the Fund currently has 258 posts. A detailed description of the Fund and its day-to-day operations is included in the present budget document and the accompanying supplement.

42. Fund investments are decided by the Secretary-General, who has delegated this responsibility to his representative, who in turn manages the Fund's Investment Management Division. The Division is responsible for the investment and

accounting of Fund assets with the objective of generating investment returns corresponding to the long-term real rate of return set out in the Fund's actuarial assumptions in line with the approved risk appetite statement and the risk tolerances established in the context of the Fund's pension obligations.

Long-term objectives

43. In its strategic framework for the biennium 2016-2017, the Fund identified the following as its long-term objectives: (a) strengthening governance; (b) ensuring that it is an agile organization; (c) enhancing its service-oriented nature; (d) using information technology as an agent for change; and (e) achieving its long-term investment objectives.

Drivers of change

44. The Fund is addressing those objectives in an ever-changing, complex and uncertain environment. The drivers of change include the dramatic growth of the Fund over the past 16 years, from 112,604 participants and beneficiaries in 1998 to 195,126 in 2014, reflecting a 73 per cent increase; the growing geographical dispersion of the individuals being serviced; the increasing complexity associated with the expansion in the scope of the Fund's services to cover the wider range of circumstances and the increased longevity of retirees, who have specific service needs; the changed information technology landscape and the transformation in communication habits globally, resulting in instantaneous and comprehensive service expectations; the highly volatile financial and economic environment, with constantly changing foreign exchange rates and consumer price indexes; the complex and evolving design of the pension plan, reflecting societal and legislative changes; the Fund's high level of maturity, which requires enhanced solvency management processes to respond to the challenges of the interdependency of assets and liabilities; the global changes in information technology systems and other technologies, as well as emerging technology-related risks, coupled with changes in the member organizations of the Fund; and the need of the Fund, as a defined benefit plan, to provide indexed annual income security to participants during their retirement years, unaffected by the fluctuations of the financial markets.

Management response

45. In these circumstances, management must continue to ensure that staffing and organizational structure keep pace with growth and operational requirements. In addition, the organizational culture of the Fund needs to adapt to the new uncertainties and to recognize that constant change appears to have become more the rule than the exception. The Fund needs to respond to those challenges by becoming more responsive, flexible, adaptable and innovative. All of this results from the nature of the Fund's operations, which are essentially those of a financial institution: handling large volumes of financial transactions, managing substantial financial risks and investing $53 billion in assets. The Fund needs to constantly adapt its processes and procedures, strengthen its client-servicing capacity and enhance its risk management and internal control framework.

46. During the biennium 2016-2017, the management of the Fund intends to address the need for change through a comprehensive and interrelated set of initiatives, focusing on achieving excellence in service delivery, establishing a

learning organization, stepping up strategic planning and improving information-sharing and communication.

Excellence in service delivery in Operations and the Financial Services Section

47. The majority of the Fund secretariat is involved in client services. Its core functions are to pay and administer pension benefits, manage a set of risks that are inherent to defined benefit plans and related to the unique design of the pension plan, and provide secure pension benefits not only for current participants and retirees, but also for future generations. The logistical challenges of administering the Fund, with a large population (both active and retired) dispersed among some 190 countries, and the unique provisions of the Fund's regulations and rules as well as the two-track feature of its pension adjustment system, along with the necessary monitoring and controls, result in particular client-servicing challenges not faced by any other pension fund in the world. Therefore, while the goals are constant modernization and a quality-driven culture, it should be recognized that there will be a need to reconsider the human resources management strategy and organizational structure of the Fund and to acquire the knowledge and expertise required to ensure that it can address the continuing increases in the number of its clients and their specific service needs, as well as the resulting operational needs to meet the pension promise. Transitioning to the new enterprise resource planning system (IPAS) will address many of the limitations identified in the legacy system environment, improve the overall flexibility of the system so that it can adapt to the changing environment, and significantly strengthen information security. However, in the short term, including a stabilization period, IPAS will present some expected adaptation challenges.

48. Historically, the Fund's Operations and its Financial Services Section have operated with minimal resources, which have been below the requirements identified in the medium-term human resources strategic plan presented to the Pension Board in 2010. While the Fund has decided to defer requests for new posts for its operational arm until IPAS is implemented, it has been experiencing continued and growing pressures in the area of service delivery, in particular client servicing. In July 2014, in response to a request from the United Nations Staff Pension Committee, the Board discussed a report on possible options to further strengthen the client-servicing capacity of the Fund (JSPB/61/R.48). Recalling that the core business of the Fund is paying benefits and servicing its clients, the Board noted that the information provided in the report should be considered in the context of the Fund's budget proposals for the biennium 2016-2017.

49. In response to the needs of its ageing and more dispersed clientele, as well as the changed communications methods and habits of its participants and beneficiaries and the overall growth in the number of enquiries, the Fund is requesting the resources required to build an adequate foundation for its client-servicing capacity, which needs to be strengthened as a matter of urgency. The prerequisites for the creation of a state-of-the-art client-servicing capacity are adequate staffing, the systematic enhancement of knowledge/skills transfer and management, learning and training programmes, the enhancement of guidelines, and communications.

50. The requested resources will allow the Fund to better reach and provide high-quality and timely client services for participants, retirees and other beneficiaries living in all parts of the world, including by enhancing its self-service capabilities, significantly increasing its overall outreach efforts and establishing "roving benefit

officer" positions within the Fund, with the aim of carrying out more frequent and extended missions to the field offices. It should be noted that the Fund has a truly global scope, since its participants, retirees and beneficiaries work and live in some 190 countries.

51. With its participants, retirees and other beneficiaries in mind, the Fund also intends to enhance its policy on communications with its constituents to ensure full transparency so that they can make informed decisions regarding their participation and benefits, as well as to respond to queries on other issues from its stakeholders.

Strengthening the Financial Services Section and the Geneva office

52. It should be noted that the Financial Services Section processes more than 72,000 monthly payments, at a monthly cost of some $190 million and an annual cost of more than $2.3 billion, in 15 currencies and to participants in more than 190 countries. Annual contributions of some $2.3 billion are received from 23 member organizations. All internal controls are maintained, and all payments and contributions are properly recorded and reflected annually in IPSAS-compliant audited financial statements. The Fund has experienced and projects an ongoing increase in the number of its periodic benefit payments. Those increases have had a significant impact on the workload and responsibilities of the Section. As noted by the Audit Committee, the Section manages the largest and most complex payroll within the United Nations system. As the Chief Financial Officer assumes the greater responsibilities of his or her post, including overall responsibility for the accuracy of the information contained in the Fund's financial statements for both the Investment Management Division and the secretariat of the Fund, the creation of a post of Deputy Chief Financial Officer, through the reclassification of an existing P-4 post as a P-5 post, is recommended as part of the budget proposal.

53. Over the years, the Fund has built solid business continuity/recovery provisions, which are tested on a regular basis. One of the lessons learned from that process is that, in order to fully function as a business continuity/disaster recovery site in the event of an emergency situation in New York, the Geneva office will need to carry out all the functions necessary to ensure the continuation of benefit payments or the full recovery of all Fund secretariat functions. Therefore, it is proposed that the required positions, including a finance function, be established in the Geneva office.

Establishment of a learning organization

54. Owing to the need to understand and apply the Fund's complicated benefit provisions (including the 665 calculations embedded in the design of its pension plan), effective and systematic training and staff development can be conducted only in-house. The Fund will create a corporate learning culture in which every employee drives his or her learning and development and every line manager, in support of that culture, actively contributes to the building of a learning organization. Resources are requested for the creation of a permanent in-house training platform that will provide specialized and targeted training, mentoring and job-shadowing, thereby effectively shortening the excessively long learning curve for staff of the Fund secretariat. Ongoing, progressive and systematic training will provide for an overall expanded base of well-trained, versatile and multi-skilled technical staff. It will also enhance knowledge transfer, improve career prospects and mitigate the impact of the retirement of long-serving, experienced senior staff.

The new system will include guidance on practices with respect to all substantive operations and will facilitate the development of the learning culture.

55. The Fund needs to actively address the vulnerabilities caused by the departure of long-serving, experienced staff possessing institutional memory, knowledge and understanding of the intricacies of its unique benefit provisions. The Fund will develop and implement a human resources strategy aligned with its business objectives and set in motion an action plan to implement it, including the development of a career framework that encompasses business functions and a succession planning process and methodology. It will start that process by undertaking an organization-wide skills/talent identification and inventory exercise and developing planning and prioritization processes, taking into account the most pressing business needs arising during the post-deployment phase of the IPAS project and from the results of the organizational review to be conducted at that time.

Strengthening the internal control framework, including the implementation of a monthly contribution reconciliation process

56. Through the implementation of the IPAS system, the Fund will establish streamlined business processes, a robust infrastructure and a powerful pension application based on modern technology as envisioned in the IPAS target operating model. However, the implementation of IPAS will be followed by a period of stabilization, refinements and ongoing enhancements. Over time, there have been recommendations aimed at enhancing the operating environment that were initially considered "out of scope", according to the definition used in the future-state model and the high-level business case submitted to the Board. In that connection, the first major improvement that the Fund wishes to put in place is a monthly process and related technology for the reconciliation of participant contributions reported by member organizations. IPAS will change the way in which the Fund interfaces with member organizations for the exchange of correct participant data, which is key to enabling the Fund to continue to operate accurately and efficiently. The initiative to implement the monthly contribution reconciliation process will entail a collaborative effort with member organizations to define, design and implement such a process in order to significantly reduce the amount of time required for the resolution of participant reconciliation exceptions as well as the average number of unresolved exceptions. Additional details regarding the Vitech V3 system enhancements project are included in annex III to the supplementary budget document.

57. The Fund has launched a statement of internal control project to properly identify, track and report on the operation of its internal control system. Pursuant to the recommendation of the Audit Committee, the Fund will expand the scope of the project to cover additional processes and related risks. The capacities to review risk management information, collect evidence, evaluate internal controls and further promote enterprise-wide risk awareness will be enhanced. This will be particularly relevant during the transition of the Fund secretariat to IPAS.

Enhance strategic planning and support executive management

58. In recent years, the Fund has significantly streamlined and modernized its operations and management. The implementation of IPAS will bring about further changes and efficiencies by transforming the Fund and changing the way in which it operates. There will be a change in the operational model from a case-driven to a

process-driven approach, and client servicing will become the top priority at all levels. An adequate level of staffing in key substantive areas, such as client services, pension entitlement and finance, will ensure an effective transition to the new operational model. In that environment, and to support the drive for excellence in service delivery, the Fund needs to enhance its strategic planning, coordination and performance monitoring functions to ensure that key decisions and management responses to short- and long-term challenges are consistent with its mission, values and strategy. The strengthening and refocusing of planning and coordination will promote an effective, results-based culture by ensuring that all line supervisors share management's expectations and goals and that they regularly report on operational performance, measuring it against specific and appropriate indicators.

59. Through a modest increase in its resources (the upward reclassification of an existing Professional post) and a repurposing of those resources, the Office of the Chief Executive Officer will have strengthened capacity that will enable it to enhance planning, coordination and monitoring and to improve benchmarking and reporting. Expanding the use of business intelligence tools in assessing, monitoring, measuring and reporting on performance will lead to more efficient management and informed decision-making. That in turn will reinforce a strong culture of accountability.

60. Improved tools and reporting will be invaluable to reinforce internal controls, advance technical analysis, improve compliance functions and, in general, develop intelligent performance reporting for the benefit of managers and governing bodies alike.

Improve information-sharing and communication

61. As noted by the Board in 2014, the Fund will need to work with its stakeholders to clarify its identity, including its governance structure, regulatory framework, funding sources and mandate. A clear identity and an effective and clear communications style are necessary to accommodate a diverse and growing population of clients and other stakeholders. The Fund continues to strive for excellence in communication through professionalism, clarity, accessibility, customization, timeliness and responsiveness in all of its interactions. The Fund will continue to share information on key topics through the distribution of publications and reports and the delivery of appropriate content through a revised and modernized website and other media.

62. In conclusion, in order to address its unprecedented growth and client service needs, the Fund has made significant and impressive strides in achieving productivity gains. Further improvements in its client-servicing capacity will be realized after IPAS has been fully implemented and after a reasonable period of time to allow for the stabilization of the new systems and ongoing refinements that should result in long-term efficiencies. It must be stressed, however, that the continued strengthening of the Fund's client-servicing capacity and the provision of adequate, accurate and timely services will also require sustained commitment and are directly related to the amount of resources that are committed.

Investment Management Division financial business application software

63. During the biennium 2010-2011, the Investment Management Division introduced a strategy for improving its financial business application software by: (a) incorporating best practices of investment operations; and (b) streamlining

investment processes such as exception-based straight-through processing and automated trade settlement instruction enrichment. The new business applications will give portfolio managers a competitive advantage by enabling them to make the right investment decisions at the right time to safeguard investments and increase profitability. The financial business application software is being developed by integrating several best-of-breed, off-the-shelf financial market business applications that will permit: (a) the front-to-back processing of investment transactions; (b) a wide range of real-time reporting; and (c) real-time access to accurate market data. The new software will support the dual-custodian and independent market record-keeper structure. It includes risk management, trade order management, several trade execution platforms, compliance monitoring, secure financial communication, operations, accounting, reconciliation, electronic trade confirmation and affirmation, and market data acquisition and dissemination. During the biennium 2016-2017, the Division will continue to improve that strategy. It will replace business applications such as the Charles River trade order management system with Bloomberg AIM, which is deemed more suitable. The latter is a fully hosted and managed solution, as opposed to the current one, which is managed and hosted in-house. Furthermore, the Division has decided to seek a new portfolio and accounting system to replace Murex, which was decommissioned after the contract expired as at 31 December 2014 and was not extended. The new element in the Division's strategy is to use the financial application as a service. As a result, the Division will implement better control for the related costs.

Results-based budgeting, methodology and terminology

64. The current budget proposal follows the results-based-budgeting format. Resources have been requested in line with the Fund's programmes, and all justification and supporting information is contained in the supplementary financial information to the proposed budget.

65. The Fund consists of the Fund secretariat and the Investment Management Division. Although the overall resources are requested in totality, the breakdown of post and non-post requirements is presented separately under subsections for the secretariat and the Division.

66. The following factors have been used in the calculation of resources:

(a) Delayed recruitment factors for both New York and Geneva for 2016 and 2017 have been applied to continuing Professional posts (91.0 per cent), new Professional posts (91.0 per cent), continuing General Service posts (95.0 per cent) and new General Service posts (95.0 per cent). Those factors have been applied to version 13 of the 2014-2015 standard salary tables;

(b) The average annual rates of inflation applied for Geneva are 0.4 per cent for 2016 and 0.8 per cent for 2017, and that applied for New York is 2.2 per cent for both 2016 and 2017;

(c) The exchange rate applied for Geneva is 0.926;

(d) Technical adjustments have been made to the 2016-2017 starting point for certain budget categories within the Fund secretariat to reflect resources under the office in which they are actually utilized. In previous bienniums, Fund secretariat resources for travel, training, overtime and general temporary assistance were consolidated under the Office of the Chief Executive Officer, and resources for premises costs for both New York and Geneva were consolidated under the Executive Office. In the 2016-2017 budget proposal, those resources are presented under the office in which they will be utilized and, for comparative purposes, a technical adjustment has been made to the 2014-2015 appropriation amounts. In addition, the resources for the Operations Section and the Information Systems Section of the Investment Management Division have been combined into one new section, the Operations and Information Systems Section;

(e) Within the framework of the cost-sharing arrangement between the United Nations and the Fund, the ratios of one third and two thirds will continue to be applied to specific elements of administration, with the exception of the cost of posts in the Information Management Systems Service and the Executive Office. On the basis of the ratio of the approved 2014-2015 established posts for the secretariat (172) to those for the Investment Management Division (85), plus one extrabudgetary post, only 66.7 per cent of the cost of the posts in the Service and the Office will be subjected to the cost-sharing arrangement.

2. Overall resources requested

67. The human and financial resources requested for the Fund as a whole are set out below, along with estimated extrabudgetary resources and details regarding additional post requirements.

68. The estimated percentage distribution of resources by component and the estimated resource requirements by component are summarized in tables 2 and 3, respectively.

Table 2

Percentage distribution of resources by component

Component	*Regular budget*	*Extrabudgetary*
A. Executive direction and management		
1. Administration	3.2	
2. Investments	5.1	
B. Programme of work		
1. Administration	25.3	100.0
2. Investments	38.1	
Subtotal, B	**63.3**	**100.0**
C. Support[a]		
Administration	22.3	
Investments	3.9	
Subtotal, C	**26.2**	**–**
D. Audit	1.6	
E. Pension Board	0.5	
Total	**100.00**	**100.00**

[a] The Fund secretariat has classified information technology as a support function, although it is embedded in the substantive processes. In the Investment Management Division, information technology is reflected under programme of work.

Table 3

Resource requirements by component

(Thousands of United States dollars)

Component	*2014-2015*	*Resource growth*		*Total before recosting*	*Recosting*	*Apportionment*		*2016-2017 estimate*
		Amount	*Percentage*			*United Nations*	*Pension Fund*	
Regular budget								
A. Executive direction and management								
1. Administration	5 576.6	144.2	2.6	5 720.8	67.8	724.3	5 064.4	5 788.7
2. Investments	7 250.5	1 851.1	25.5	9 101.6	146.8	–	9 248.4	9 248.4
B. Programme of work								
1. Administration	39 151.5	5 833.3	14.9	44 984.8	780.2	12 201.4	33 563.6	45 765.0
2. Investments	69 970.9	(2 190.6)	(3.1)	67 780.3	1 152.3		68 932.6	68 932.6
Subtotal, B	**109 122.4**	**3 642.7**	**3.3**	**112 765.0**	**1 932.6**	**12 201.4**	**102 496.2**	**114 697.6**
C. Support								
Administration	46 272.1	(6 616.3)	(14.3)	39 655.8	457.0	8 840.3	31 272.6	40 112.8
Investments	6 492.5	482.0	7.4	6 974.5	24.6	–	6 999.2	6 999.2
Subtotal, C	**52 764.6**	**(6 134.2)**	**(11.6)**	**46 630.4**	**481.7**	**8 840.3**	**38 271.7**	**47 112.0**
D. Audit	2 543.9	349.6	13.7	2 893.5	9.1	483.8	2 418.8	2 902.6
E. Pension Board	408.8	535.4	131.0	944.2	20.8	–	964.9	964.9
Total	**177 666.7**	**388.6**	**0.2**	**178 055.5**	**2 658.8**	**22 249.8**	**158 464.5**	**180 714.2**
Extrabudgetary	**155.8**	–	–	**155.8**	**8.9**		**164.7**	**164.7**

69. As indicated in table 4, the overall increase in resources requested amounts to $389,000 before recosting, or 0.2 per cent, reflecting increases in investment costs ($142,900), audit costs ($349,600) and board expenses ($535,400), offset in part by decreases in administrative costs ($638,900).

70. The decrease in resources of $638,900 in administrative costs comprises the net effect of the proposed increase in established posts ($4,927,300), of which $403,200 is attributable to the delayed impact of three new posts approved in the 2014-2015 biennium, and the proposed decreases in temporary posts ($1,193,100) and non-post resources ($4,373,000). The decrease in non-post costs is attributable primarily to the reduction in contractual services ($7,714,200), a large portion of which is due to the efficiencies realized from the deployment of the IPAS project in 2015, offset in part by increases for the Vitech V3 system enhancements project, as well as reductions in consultants ($225,000), travel ($351,900) and supplies and materials ($22,100). Those decreases are offset in part by increases in other staff costs ($2,266,300), general operating costs ($1,548,100), furniture and equipment ($123,900) and hospitality ($1,900).

71. The increase in resources of $142,900 in investment costs comprises the net effect of the increase in posts ($3,880,900), of which $3,399,900 is attributable to the delayed impact of 20 new posts approved in the biennium 2014-2015, and the

decrease in non-post costs of $3,738,000. The decrease in non-post costs is due primarily to reductions in contractual services ($4,462,200), consultants ($401,600), travel ($79,400) and furniture and equipment ($6,600), offset in part by increases in other staff costs ($897,000), general operating expenses ($242,200), supplies and materials ($70,100) and hospitality ($2,400).

72. The increase in resources for audit costs, amounting to $349,600, relates mostly to increased requirements for general temporary assistance for internal audit.

73. The increase in resources for Board expenses of $535,400 is mainly the result of travel costs for the Board's advisory committees (the Committee of Actuaries and the Audit Committee), as well as the travel of representatives of the Federation of Associations of Former International Civil Servants to Board sessions, budgeted under Board expenses in 2016-2017. Travel for representatives of the committees was previously budgeted under the Office of the Chief Executive Officer.

Table 4

Financial resource requirements

(Thousands of United States dollars)

Category	2012-2013 expenditure	2014-2015 appropriation	Resource growth		Total before recosting	Apportionment			Estimate		
			Amount	Percentage		Recosting[a]	United Nations	Pension Fund	2016-2017[b]	2016	2017
Administrative costs											
Posts	39 499.2	41 902.7	4 927.3	11.8	46 829.9	643.7	14 679.3	32 794.4	47 473.7	23 619.0	23 854.7
Temporary posts	2 308.0	1 193.1	(1 193.1)	(100.0)	–	–	–	–	–	–	–
Other staff costs	3 950.2	5 371.2	2 266.3	42.2	7 637.5	30.9	262.1	7 406.3	7 668.4	3 937.2	3 731.2
Consultants	354.5	843.0	(225.0)	(26.7)	618.0	13.6	–	631.6	631.6	312.7	318.9
Travel	1 117.5	1 357.5	(351.9)	(25.9)	1 005.6	20.3	–	1 025.9	1 025.9	502.0	523.9
Contractual services	29 160.4	22 928.0	(7 714.2)	(33.6)	15 213.8	334.7	2 415.5	13 133.0	15 548.5	8 299.0	7 249.5
Hospitality	5.8	4.2	1.9	45.6	6.1	0.1	–	6.2	6.2	3.1	3.1
General operating expenses	12 636.5	15 401.7	1 548.1	10.1	16 949.9	217.0	3 725.1	13 441.8	17 166.8	8 534.4	8 632.4
Supplies and materials	172.1	209.1	(22.1)	(10.6)	187.0	3.7	63.6	127.1	190.7	95.3	95.4
Furniture and equipment	1 166.0	1 789.7	123.9	6.9	1 913.5	41.2	620.5	1 334.2	1 954.7	1 095.2	859.4
Total	**90 370.0**	**91 000.3**	**(638.9)**	**(0.7)**	**90 361.4**	**1 305.1**	**21 766.0**	**69 900.5**	**91 666.5**	**46 398.1**	**45 268.5**
Investment costs											
Posts	15 883.9	22 095.0	3 880.9	17.6	25 975.9	196.7		26 172.6	26 172.6	13 054.2	13 118.4
Other staff costs	2 253.2	2 546.8	897.0	35.2	3 443.9	58.2		3 502.1	3 502.1	1 754.2	1 747.9
Consultants	504.4	1 491.6	(401.6)	(26.9)	1 090.0	24.0		1 114.0	1 114.0	478.3	635.7
Travel	1 196.8	2 192.5	(79.4)	(3.6)	2 113.2	46.5		2 159.7	2 159.7	1 235.2	924.4
Contractual services	46 034.8	47 162.2	(4 462.2)	(9.5)	42 700.1	939.4		43 639.5	43 639.5	21 462.8	22 176.6
Hospitality	19.6	24.5	2.4	9.9	27.0	0.6		27.5	27.5	14.3	13.2
General operating expenses	3 645.7	7 076.4	242.2	3.4	7 318.5	32.2		7 350.7	7 350.7	3 663.6	3 687.2
Supplies and materials	150.6	177.9	70.1	39.4	248.0	5.5		253.5	253.5	126.7	126.7
Furniture and equipment	86.0	946.6	(6.6)	(0.7)	940.0	20.7		960.7	960.7	832.9	127.8
Total	**69 775.0**	**83 713.6**	**142.9**	**0.2**	**83 856.4**	**1 323.8**	**–**	**85 180.2**	**85 180.2**	**42 622.3**	**42 557.9**

Category	2012-2013 expenditure	2014-2015 appropriation	Resource growth		Total before recosting	Recosting[a]	Apportionment		Estimate		
			Amount	Percentage			United Nations	Pension Fund	2016-2017	2016	2017
Audit costs											
External audit	774.6	774.7	11.7	1.5	786.4	–	131.1	655.3	786.4	393.2	393.2
Internal audit	1 740.1	1 769.2	337.8	19.1	2 107.1	9.1	352.7	1 763.5	2 116.2	1 082.3	1 033.9
Total	**2 514.7**	**2 543.9**	**349.6**	**13.7**	**2 893.5**	**9.1**	**483.8**	**2 418.8**	**2 902.6**	**1 475.5**	**1 427.1**
Board expenses	**269.9**	**408.8**	**535.4**	**131.0**	**944.2**	**20.8**	**–**	**964.9**	**964.9**	**476.7**	**488.2**
Total resources required	**162 929.6**	**177 666.5**	**389.0**	**0.2**	**178 055.5**	**2 658.8**	**22 249.8**	**158 464.5**	**180 714.2**	**90 972.5**	**89 741.7**
Extrabudgetary costs											
Operational activities	**172.0**	**155.8**	**–**	**–**	**155.8**	**8.9**	**–**	**164.7**	**164.7**	**81.4**	**83.3**

[a] Subject to established procedures of the United Nations.

Table 5
Human resources requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2014-2015	2016-2017	2014-2015	2016-2017	2014-2015	2016-2017	2014-2015	2016-2017
Administrative								
Professional and higher								
Assistant Secretary-General	1	1	–	–	–	–	1	1
D-2	1	1	–	–	–	–	1	1
D-1	5	5	–	–	–	–	5	5
P-5	9	11	1	–	–	–	10	11
P-4	20	20	4	–	–	–	24	20
P-3	25	31	2	–	–	–	27	31
P-2/1	1	1	–	–	–	–	1	1
Subtotal	**62**	**70**	**7**	**–**	**–**	**–**	**69**	**70**
General Service								
Principal level	10	11	–	–	–	–	10	11
Other level	100	111	3	–	1	1	104	112
Subtotal	**110**	**122**	**3**	**–**	**1**	**1**	**114**	**123**
Total administrative	**172**	**192**	**10**	**–**	**1**	**1**	**183**	**193**
Investment								
Professional and higher								
Assistant Secretary-General	1	1	–	–	–	–	1	1
D-2	1	1	–	–	–	–	1	1
D-1	4	4	–	–	–	–	4	4
P-5	10	11	–	–	–	–	10	11
P-4	23	22	–	–	–	–	23	22
P-3	17	18	–	–	–	–	17	18
P-2	–	1	–	–	–	–	–	1
Subtotal	**56**	**58**	**–**	**–**	**–**	**–**	**56**	**58**
General Service								
Principal level	13	14	–	–	–	–	13	14
Other level	16	14	–	–	–	–	16	14
Subtotal	**29**	**28**	**–**	**–**	**–**	**–**	**29**	**28**
Total investment	**85**	**86**	**–**	**–**	**–**	**–**	**85**	**86**
Total Pension Fund	**257**	**278**	**10**	**–**	**1**[a]	**1**[a]	**268**	**279**

[a] One extrabudgetary General Service (Other level) post funded by member organizations.

74. As indicated in table 5, the present submission provides for the establishment of 21 additional posts (20 for the Fund secretariat and 1 for the Investment Management Division) and reflects the abolishment of 10 temporary posts as at 1 January 2015, as follows:

(a) Provision is made for the Fund secretariat for 20 additional established posts (1 P-5, 1 P-4, 6 P-3, 1 General Service (Principal level) and 11 General

Service (Other level)) and the reclassification of 3 posts (2 upward and 1 downward). The secretariat had abolished the final 10 temporary IPAS posts as at 1 January 2015 (1 P-5, 4 P-4, 2 P-3 and 3 General Service (Other level));

(b) Provision is made for the Investment Management Division for 1 additional established post (P-3) and the reclassification of 3 posts.

75. The additional posts requested are summarized in table 6.

Table 6
Summary of post requirements

Section	*Action*	*Post*	*Number*	*Category*
Administration				
Office of the Chief Executive Officer	Reclassification	Senior Programme Officer (Strategic Planning and Coordination)	1	P-4 as P-5
	New post	Personal Assistant	1	General Service (Other level)
Programme of work				
Operations (New York)	New post	Benefits Officer	2	P-3
	New post	Benefits Assistant	3	General Service (Other level) as at 1 January 2016
	New post	Benefits Assistant	3	General Service (Other level) as at 1 January 2017
Operations (Geneva)	New post	Chief, Client Communication and Liaison	1	P-5
	New post	Benefits Officer	1	P-4
	New post	Finance Officer	1	P-3
Financial services	Reclassification	Deputy Chief Financial Officer	1	P-4 as P-5
	New post	Senior Accounting Assistant, Payments Unit	1	General Service (Principal level)
	New post	Cashier's Assistant	1	General Service (Other level)
Risk Management and Legal Services Section	New post	Legal Officer (New York)	1	P-3
	New post	Legal Assistant (Geneva)	1	General Service (Other level)
	Reclassification	Senior Legal Officer	1	P-5 as P-4

Section	*Action*	*Post*	*Number*	*Category*
Information Management Systems Service	New post	Data Manager	1	P-3
	New post	ICT Security Officer	1	P-3
Executive Office	New post	Facilities Management Assistant	1	General Service (Other level)
	New post	Travel Assistant	1	General Service (Other level)
Investments				
Office of the Representative of the Secretary-General	Reclassification	Senior Legal Officer	1	P-4 as P-5
	Reclassification	Senior Administrative Assistant	1	General Service (Other level) as General Service (Principal level)
Investments Section	New post	Trade Execution Officer	1	P-3
Operations and Information Systems Section	Reclassification	Associate Accountant	1	General Service (Other level) as P-2

B. Administrative costs

1. Overview

76. In meeting its mission and its long-term goals, the Fund is facing multiple challenges, as described in the introductory paragraphs of section A above. A historical summary of the Fund's administrative cost per participant over the past 10 years and for the proposed budget for the biennium 2016-2017 is shown in the figure below.

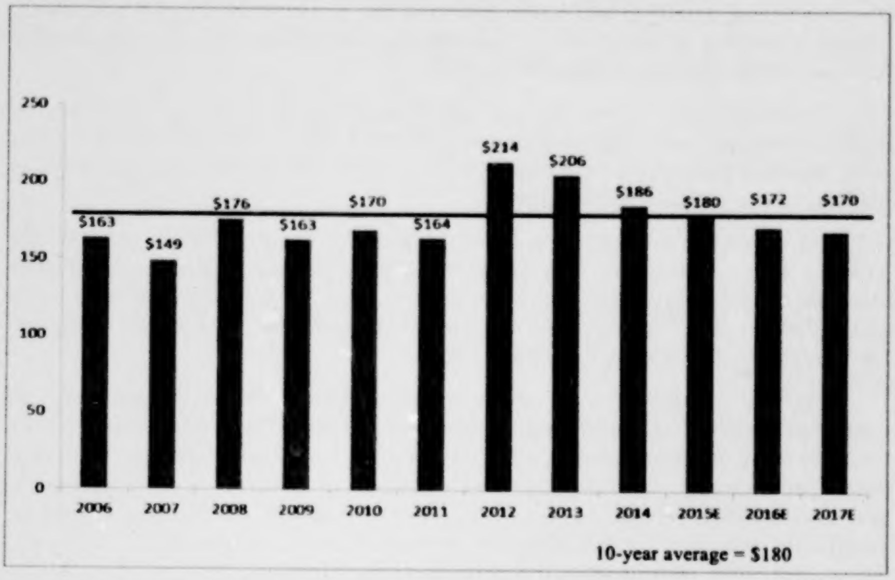
77. The administrative costs in the figure represent all the costs incurred by the Fund for its regular work of collecting and pooling contributions in respect of nearly 123,000 active participants, calculating and processing entitlements, managing the payroll and payments (to more than 72,000 beneficiaries living in 190 countries), providing client services (the Fund expects to provide some 12,000 in-person consultations and to respond to more than 36,000 general enquiries during the biennium 2016-2017), managing risks, maintaining the records, processing the accounts, servicing the governing bodies of the Fund and auditing related costs. The costs are expressed in current United States dollars.

78. It may be observed that there is a relatively level cost per participant throughout the period (approximately $180). The drop in cost per participant in 2016-2017 (as set out in the budget proposal) compared with the years 2012-2015 reflects the completion of the IPAS project and important efficiency gains realized from the new integrated system solution. The projected cost per participant for 2016 and 2017 is below the inflation-adjusted average for the past 10 years of $180 per participant (which includes atypically low costs for the biennium 2006-2007). It is tentatively

projected that the cost per participant in 2018 and 2019 will drop below the 2006 level as a result of estimated efficiencies realized through the implementation of IPAS.

Cost per participant, 2016-2017, adjusted for inflation

(United States dollars)



Notes: Includes active participants, retirees and beneficiaries. Extraordinary costs of IPAS and office move are included. Costs related to investment management are excluded. Also excluded are costs associated with the services provided by the Fund to the United Nations Staff Pension Committee. Inflation has been assumed to be equal to the United States consumer price index urban all-goods rate. Annual adjusted costs were determined by halving the biennial adjusted figures.

79. The lower cost per participant during the biennium 2006-2007 reflects the delay in increasing operational staffing levels to meet the very significant increase in volume experienced during that period (a 23 per cent increase in the total number of participants, retirees and beneficiaries). The Fund experienced significant operational challenges in 2006 and 2007 in striving to keep pace with the rapidly increasing transactional volume resulting from new entrants, separations and retirements, benefits estimates and other transactions. The comprehensive risk assessment report presented to the Pension Board at its fifty-third session, in 2006, clearly identified understaffing as a high risk and stated that it was causing delays in processing. The Board and the General Assembly recognized that serious problem and subsequently approved staffing increases to support the Fund's continually increasing work volume.

80. The Pension Fund is a maturing Fund, which means that while the growth in new active participants is beginning to slow, the number of retirees is expected to continue to increase, together with the demand for different and increasingly complex services (such as requests for guardianship arrangements, changes in payment instructions and two-track estimates). Hence, the Fund anticipates a heavier and more complex workload in the coming years.

81. It is noted that there was a decrease in the 2014-2015 administrative cost per participant from 2012-2013 levels and that a further decrease is projected for 2016-2017, even though the Fund expects an increase in its workload as a direct result of the ongoing growth in the overall population it is servicing. This anticipated decrease in cost per participant is attributable directly to the fundamental changes in the operational paradigm and model owing to the implementation of IPAS, which, after a reasonable period of time for stabilization and refinements, will significantly enhance the operational capacity of the Fund.

82. The overall level of resources for administrative costs amounts to $90,361,400 before recosting, reflecting a net decrease of $638,900, or 0.7 per cent, compared with the appropriations for the biennium 2014-2015. The net decrease, as shown in table 8, can be summarized as follows:

(a) Executive direction and management: the net increase of $144,200 consists of an increase in post costs of $218,600, offset in part by an overall decrease in non-post costs of $74,300, attributable to decreases in consultants ($114,700), travel ($566,000) and contractual services ($48,300), offset in part by an increase in other staff costs of $654,700;

(b) Programme of work: the increase of $5,833,300 is the net result of increased established post requirements of $3,806,100, attributable to the establishment of 15 new posts (1 P-5, 1 P-4, 4 P-3, 1 General Service (Principal level) and 8 General Service (Other level)), as well as increases in other staff costs, travel, contractual services (owing to the Vitech V3 system enhancements project), hospitality and supplies and materials, offset in part by reductions in temporary posts ($800,100), consultants and general operating expenses;

(c) Programme support: the decrease of $6,616,400 is attributable mainly to the deployment of the IPAS project in 2015 and efficiency savings realized under contractual services, offset in part by increases in premises costs, attributable mainly to a provision of $2,155,000 for the installation of a sprinkler system on all four floors occupied by the Fund secretariat at 1 Dag Hammarskjöld Plaza, as mandated by New York State.

83. The estimated percentage distribution of resources by component is shown in table 7, and resource requirements by component are shown in table 8.

Table 7

Percentage distribution of resources by component: administrative costs

Component	*Regular budget*	*Extrabudgetary*
A. Executive direction and management	6.3	
B. Programme of work (operations, financial services, risk management and legal services)	49.8	100.0
C. Programme support		
1. Information Management Systems Service	27.3	
2. Executive Office	16.6	
Subtotal, C	**43.9**	
Total	**100.0**	**100.0**

Table 8

Resource requirements by component: administrative costs

(Thousands of United States dollars)

Component	2014-2015 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2016-2017 estimate
		Amount	Percentage			United Nations	Pension Fund	
Regular budget								
A. Executive direction and management	5 576.6	144.2	2.6	5 720.8	67.8	724.3	5 064.4	5 788.7
B. Programme of work (operations, financial services, risk management and legal services)	39 151.5	5 833.3	14.9	44 984.8	780.2	12 201.4	33 563.6	45 765.0
C. Support								
1. Information Management Systems Service	33 932.6	(9 274.3)	(27.3)	24 658.3	255.0	4 923.6	19 989.7	24 913.3
2. Executive Office	12 339.5	2 657.9	21.5	14 997.4	202.1	3 916.6	11 282.9	15 199.5
Subtotal, C	**46 272.1**	**(6 616.4)**	**(14.3)**	**39 655.7**	**457.1**	**8 840.3**	**31 272.6**	**40 112.8**
Total	**91 000.3**	**(638.9)**	**(0.7)**	**90 361.3**	**1 305.2**	**21 766.0**	**69 900.5**	**91 666.5**
Extrabudgetary	**155.8**	–	–	**155.8**	**8.9**	–	**164.7**	**164.7**

2. Executive direction and management

Resource requirements (before recosting): $5,720,800

84. The Chief Executive Officer is responsible for managing the Pension Fund, under the authority of the Pension Board, to provide related services to the member organizations and to 195,000 participants, retirees and beneficiaries around the world.

85. In providing those services, the Chief Executive Officer must ensure that a framework is in place to ensure the full implementation of the Fund's work programme through overall policy-setting, direction, supervision and management of the Fund. Moreover, the Office of the Chief Executive Officer will continue to organize and service the meetings of the Pension Board and the Audit Committee and the joint sessions of the Investments Committee and the Committee of Actuaries and provide support to the Committee of Actuaries, the Assets and Liabilities Monitoring Committee and other working groups and subcommittees of the Board, as required.

86. The Chief Executive Officer must ensure that the Fund is in a position to continuously and accurately service its 195,000 clients in the ever-changing environment in which it operates. This involves the better use of technology, process standardization and application integration, which will be accomplished largely through the implementation of IPAS. IPAS will enhance services provided to clients, reduce the risk of error and diminish reliance on the knowledge of a select few. Concurrently, change management efforts must be strengthened, as the operational paradigm of the organization will shift from a "case-driven" to a "process-driven" approach. The Fund has embraced best practices in the area of change management and adopted recommendations made with respect to transitional organizational management.

87. In addition, the Office of the Chief Executive Officer will continue to lead several important Fund-wide governance mechanisms aimed at human resources management, risk management, business continuity/disaster recovery and information technology and asset/liability management. Those mechanisms are increasingly important, given that the bifurcated governance structure of the Fund may lead to significant risks, affect overall effectiveness and prevent optimal results unless there is constant and intensive coordination, consultation and information-sharing between the Fund secretariat and the Investment Management Division. In addition, the anticipated deployment of Umoja in November 2015 will present challenges for the Fund, completely transforming its administrative processes by providing a streamlined approach to the management of the administrative budget, human resources, procurement and fixed assets.

Modernized operations

88. In recent years, the Fund has significantly streamlined and modernized its operations and management, having developed a solid internal control framework and having embedded risk management into all its activities, operational and support functions alike. In 2013, the Board approved the establishment of a dedicated technical service to deal with legal, actuarial, operational and risk areas in an integrated manner. In addition to technical expertise, the newly created Risk Management and Legal Services Section provides continuity and coherence in terms of policy analysis, risk-monitoring and compliance functions.

89. The implementation of IPAS will bring about further changes and efficiencies — well beyond information technology — by transforming the Fund and changing the way in which it operates. As noted above, the operational model will change from a case-driven to a process-driven approach as client-servicing becomes the priority at all levels, utilizing modern technology to its fullest potential. The ultimate aim is to provide high-quality and economical services to an ever-growing global clientele.

Enhanced strategic planning and coordination as the last step in the modernization of management

90. In this environment, the Fund needs to enhance its strategic planning and coordination functions. Such a focus will be the last element in reorganizing and modernizing the management of the Fund. Strategic planning is a dynamic tool that enables the Fund to ensure that its key decisions and the responses of its management to short- and long-term challenges are consistent with its mission, values and strategy. The strengthening and refocusing of planning and coordination will promote an effective, results-based culture by ensuring that all line supervisors share management's expectations and goals and regularly report on operational performance, measuring it against specific and appropriate indicators.

91. Transparency is a fundamental pillar of an effective accountability framework. It refers to an organization's openness about its activities, providing information to decision makers on what the entity is doing, where and how its activities are being carried out and how it is performing. During the biennium 2016-2017, the Fund will endeavour to improve its communications and to ensure more proactive information-sharing among senior management, Board members, members of expert committees, member organizations, other stakeholders and the public at large.

Refocused capacity in the Office of the Chief Executive Officer

92. The Office of the Chief Executive Officer is responsible for strategic planning, guidance and management, as well as the day-to-day operations of the Fund. A review of other United Nations departments and offices shows that all senior managers at the Under-Secretary-General or Assistant Secretary-General level have a team to support them in planning, department-wide coordination and liaison/ communication at the organizational level. Those teams are normally headed by staff at the D-1 or P-5 level, and they vary in terms of composition and size (usually between 4 and 10 staff members). It is recalled that, in connection with the establishment of the Risk Management and Legal Services Section, there were outward redeployments from the Office of the Chief Executive Officer (1 Special Assistant (P-5), 1 Risk Officer (P-4) and 1 Statistician (P-3)). In addition, a General Service (Other level) post was redeployed to client services/Operations. The functions of the newly established Section are distinct from executive direction and management.

93. In order to ensure adequate support for the Office of the Chief Executive Officer and strengthen the capacity to provide strategic guidance and add new responsibilities in the area of communications, it is proposed that the existing post of Policy and Analysis Officer (P-4) in the Office of the Chief Executive Officer be reclassified as a post of Strategic Planning and Coordination Officer (P-5). The incumbent would take the lead in planning and coordinating activities within the Fund, as well as managing communication/liaison functions, including by expanding the relationship with the Fund's member organizations and Member States. The incumbent would also be responsible for strengthened performance measurement, as well as improving benchmarking and reporting, for the Fund.

94. Bearing in mind that policy analysis regarding pension design and solvency matters is now addressed by the Risk Management and Legal Services Section, the Strategic Planning and Coordination Officer would support the new liaison/ communications (internal and external) efforts of the Fund. He or she would be supported by the existing Performance Reporting Officer (P-3), who would also assume functions as the knowledge management coordinator of the Fund.

Shared vision, coordinated response and well-defined organizational image

95. The two Officers will support the Chief Executive Officer and the Deputy Chief Executive Officer in carrying out responsibility for executive direction and management, promoting a shared vision of common objectives and results. This will ensure greater strategic integration and a coherent and coordinated implementation process with respect to the agreed goals. The roles and responsibilities of each organizational unit will be further clarified.

96. The strengthened capacity will enhance planning, coordination and monitoring and improve benchmarking and reporting. Expanding the use of business intelligence tools in assessing, monitoring, measuring and reporting on performance will lead to more efficient management and informed decision-making on the part of both the Fund's management and its governing bodies and establish a strong culture of accountability that is tangible and measurable.

97. Such modernized and coordinated management practices as well as an effective strategic communications policy and its implementation are essential in

today's rapidly changing business environment. Internal and external communications must keep pace with the unpredictability and rapid dispersion of information through modern communications techniques (social media, e-mail and websites) and the resultant changes in the communications behaviour of clients. Only those organizations that have sufficient foundations and an adequate framework in their management practices can become and remain agile: responsive, adaptable and innovative.

Table 9

Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: Ensure efficient administration of the Fund and full implementation of the Fund's mandate in compliance with the regulations and rules of the Fund and with decisions and guidelines issued by the Pension Board and the General Assembly

Expected accomplishments	Indicators of achievement
1. Effective management of the Fund's programme of work	1.1. 100 per cent of Board and General Assembly decisions and mandates implemented by deadline *Performance measures* 2012-2013: 100 per cent Estimate 2014-2015: 100 per cent Target 2016-2017: 100 per cent
	1.2. Full compliance with the Fund's regulations, rules, policies and procedures *Performance measures* 2012-2013: 100 per cent Estimate 2014-2015: 100 per cent Target 2016-2017: 100 per cent
2. Effective substantive, technical and procedural support to the Pension Board, committees and working groups	2.1. No negative feedback from the Pension Board, Standing Committee, United Nations Staff Pension Committee and other committees and working groups about the support provided *Performance measures* (number of complaints) 2012-2013: no complaints Estimate 2014-2015: no complaints Target 2016-2017: no complaints

3. Effective management of Fund-wide governance mechanisms	3.1. Quarterly meetings held and all decisions implemented by deadline *Performance measures* 2012-2013: 100 per cent Estimate 2014-2015: 100 per cent Target 2016-2017: 100 per cent
4. Improved communication with the Fund's governing and advisory bodies and diverse constituent base	4.1. Information on the Fund's key activities, operational statistics and actuarial and investment performance shared with governing and advisory bodies on a regular basis *Performance measures* 2012-2013: 100 per cent Estimate 2014-2015: 100 per cent Target 2016-2017: 100 per cent 4.2. Increased number of website visits *Performance measures* 2012-2013: 22 per cent increase in usage Estimate 2014-2015: 25 per cent increase in usage Target 2016-2017: 20 per cent increase in usage 4.3. Increased number of briefings, training sessions and seminars for the Fund's constituents *Performance measures* 2012-2013: 81 Estimate 2014-2015: 85 Target 2016-2017: 90

External factors

98. Executive direction and management is expected to achieve its objective and expected accomplishments on the assumption that: (a) adequate human and financial resources are provided; (b) transactional volumes are not significantly above expectations; (c) there are no significant changes in the Fund's operating environment (such as political conflicts or natural disasters); and (d) no new additional mandates are assigned to the Fund by the Pension Board or the General Assembly.

Outputs

99. During the biennium, the following outputs will be delivered:

(a) Servicing of intergovernmental and expert bodies: two Pension Board sessions and three meetings of the Committee of Actuaries; one joint session of the Committee of Actuaries and the Investments Committee; six meetings of the Audit Committee; four meetings of the Assets and Liabilities Monitoring Committee;

(b) Researching and drafting of documents: approximately 100 papers and technical notes for submission to the Pension Board, the Committee of Actuaries and working groups and 15 notes to the Audit Committee, in addition to the technical and administrative servicing of its sessions;

(c) Preparation and presentation of the Pension Board's annual report to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee;

(d) Coordination, preparation and dissemination to key stakeholders of the annual report of the Fund and the annual letter of the Chief Executive Officer to all participants, retirees and beneficiaries;

(e) Regular reporting on the Fund's operational performance (monthly to senior management and annually to the Pension Board);

(f) Strategic planning for the Fund: organization of the strategic planning seminar and preparation of the strategic framework;

(g) Other substantive activities:

(i) Whole-office review: post-IPAS strategic, objective, and independent review of the Fund's structure, functions and staffing; the review will recommend alternative structures and staffing, including a comprehensive human resources strategy, needed to support current and future organizational requirements on the basis of different assumptions of growth in the number of Fund participants and beneficiaries, reflecting the growing complexity of the Fund and its evolving functions in line with industry practice, as well as the expectations and requests of the Fund's member organizations and governing bodies;

(ii) Efficient oversight and administration of the internal governance mechanisms in such areas as business continuity and disaster recovery, enterprise-wide risk management, information technology, and asset liability management;

(iii) Review and further development of a new Fund-specific administrative model considering changes to be brought about by the Umoja project as well as the review of policies, procedures, standards and tools to ensure the efficient delivery of administrative services;

(iv) Enhancement of the knowledge management system and knowledge-generating reporting and staff training for increased and efficient use of the system;

(v) Intelligent and focused performance reporting and analysis using the Fund's information technology systems and business-intelligent tools.

Table 10
Resource requirements

Category	Resources (thousands of United States dollars) 2014-2015	Resources (thousands of United States dollars) 2016-2017 (before recosting)	Posts 2014-2015	Posts 2016-2017
Post	1 943.7	2 162.3	5	6
Non-post	3 632.9	3 558.6		
Total	**5 576.6**	**5 720.8**	**5**	**6**

100. The amount of $5,720,800 will provide for the continuation of four posts (1 Assistant Secretary-General, 1 D-2, 1 P-3 and 1 General Service (Principal level)), the reclassification of an existing P-4 post as a P-5 post, one proposed new post (General Service (Other level)) and non-post resources of $3,558,600. The increase in post resources of $218,600 reflects the proposal for one new post (General Service (Other level)) and the upward reclassification of one P-4 post as a P-5 post. Non-post resources have decreased by $74,300 as a result of decreases in consultants ($114,700), travel ($566,000), contractual services ($48,300) and hospitality ($100), offset in part by increases in other staff costs ($654,700). The decrease in travel is due mainly to the fact that the travel of representatives for the Committee of Actuaries and the Audit Committee, as well as the travel of representatives of the Federation of Associations of Former International Civil Servants to Pension Board meetings, are reflected under Board expenses in 2016-2017. As these are advisory committees to the Board, it is more appropriate to reflect them under Board expenses.

3. Programme of work

Resource requirements (before recosting): $44,984,800

101. Programme of work includes Operations and Financial Services of both the New York and Geneva offices, together with the Risk Management and Legal Services Section.

Operations and Financial Services

102. Operations and Financial Services of both the New York and Geneva offices are responsible for the core functions of the Fund, including, but not limited to, the determination of eligibility to participate and the affiliation of new participants into the Fund, along with the record-keeping of historical personal and financial data, the collection and recording of contributions paid into the Fund (for nearly 123,000 active participants), the calculation and set-up for payment of all pension entitlements, the payment of subsequent pension benefits (more than 72,000 monthly periodic payments, amounting to more than $2.4 billion per annum), all related accounting activities and the preparation of financial statements. This programme is also responsible for the client-servicing functions in respect of the Fund's approximately 195,000 active participants, retirees and other beneficiaries. While Operations focuses on the integrity of the calculation, which, once established, remains valid for the lifetime of the retiree and any eligible survivor, Financial Services focuses on the integrity of the payment, including ongoing

subsequent adjustments to reflect changes in exchange rate relativities and movements in the consumer price index.

Operations

103. Operations comprises the Pension Entitlements Sections and the Client Services, Records Management and Distribution work units in both the New York and Geneva offices. The expected accomplishments and indicators of achievement set out below in respect of Operations are Fund-wide numbers and are in line with the Fund's strategic framework for 2016-2017 as presented to the Board in 2014. In order to continue to improve disclosure, however, the Geneva office resource proposals and justifications are presented separately in the resources tables below and in the supplementary financial information for the Advisory Committee on Administrative and Budgetary Questions. The Chief of Operations is responsible for the management and direction of the service in accordance with the goals set out in the strategic framework of the Fund and to ensure adherence to the regulations and rules of the Fund and its pension adjustment system, while duly operating within specific quality management, internal control and communications policies. The Fund (New York and Geneva offices) expects to process some 54,000 new participants, separations and inward and outward transfers during the biennium 2016-2017. It also expects to process some 4,300 pension benefits after initial separation from service, which are among the most complex and thus time-consuming benefits to process (i.e., death after service, with survivor benefits sometimes involving multiple spouses living in various locations and residual settlements; deferred benefits into payment, which are two-track cases that sometimes involve reversion to the United States dollar track; and benefits payable to surviving divorced spouses, surviving spouse annuities, special measure cases, etc.). During the biennium 2016-2017, in addition to some 560,000 benefit estimates provided through the Fund's website, the operational staff members in the New York and Geneva offices expect to provide some 4,000 individual benefit estimates, which often involve personal consultations. The growing numbers as well as the ageing of the Fund's retirees and other beneficiaries will require greater care and attention to unique needs that only a state-of-the-art client-servicing section would be able to provide. Operations will therefore continue to strengthen its client-servicing capabilities, including its overall workflows and document management and distribution functions. During the biennium, the service also expects to dispatch, track and record upon receipt more than 130,000 certificates of entitlement in the first and second mailings and to scan more than 1.4 million documents (2.6 million pages) into the Fund's content management system. The Client Services, Records Management and Distribution work units (New York and Geneva) expect to provide some 12,000 in-person consultations and to respond to some 36,000 general enquiries during the biennium 2016-2017. As at 31 December 2014, the Fund was providing services to some 195,000 active participants, retirees and other beneficiaries, representing an increase of more than 4,800 individuals compared with only one year earlier. In addition, Operations has been (in particular during the bienniums 2012-2013 and 2014-2015) and will continue to be heavily involved in implementation, testing, training and signing-off with respect to all related operational processes as part of the overall IPAS implementation project. It is important to ensure a seamless transition to the new pension administration system and address immediate "unknowns" after the implementation of IPAS, which is expected to run throughout 2016. This will require intensified, systematic training

and staff development, which, owing to the need to understand and apply the Fund's complicated benefit and pension adjustment provisions, can be conducted only in-house. It will also require adequate levels of resources to address important change management, knowledge transfer and quality control issues, including additional IPAS stabilization and refinement efforts that will continue throughout 2016. It should be borne in mind that all this activity is taking place while the Fund continues to grow notably year after year.

Table 11
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: Ensure that all eligible participants, retirees and other beneficiaries are serviced in accordance with the regulations, rules and pension adjustment system of the Fund, while fully adhering to the communications, quality management and internal control policies as outlined in the Fund's management charter

Expected accomplishments	**Indicators of achievement**
1. Effective processing of Pension Fund benefit entitlements	1.1. Increased percentage of withdrawal settlements, retirement benefits and other benefits processed within 15 business days *Performance measures for processing full withdrawal settlements, periodic retirement benefits and lump-sum commutation benefits* (Benchmark: 15 business days) 2012-2013: 73.5 per cent of cases completed within 15 business days Estimate 2014-2015: 68.2 per cent of cases completed within 15 business days Target 2016-2017: 75.0 per cent of cases completed within 15 business days
2. Enhanced quality of client-oriented services to the Pension Fund clientele	2.1. Increased percentage of incoming correspondence through mail and e-mail responded to within 15 business days *Performance measures* (Benchmark: 15 business days) 2012-2013: 91.6 per cent of queries responded to within 15 business days Estimate 2014-2015: 75.3 per cent of queries responded to within 15 business days Target 2016-2017: 80.0 per cent of queries responded to within 15 business days

External factors

104. Operations is expected to achieve its objectives on the assumption that: (a) adequate human and financial resources are provided; (b) transactional volumes are not significantly above expectations; (c) there are no significant changes in the Fund's operating environment (such as political conflicts or natural disasters); and (d) no new additional mandates are assigned to the Fund by the Pension Board or the General Assembly. Recognition must therefore be given to the critical juncture in the evolution of the Fund that is outside its control. Recognition must also be given to the additional workload required of all staff, especially in technical and substantive areas, in the implementation and stabilization/ongoing refinement of IPAS during the bienniums 2014-2015 and 2016-2017, respectively, which is the most ambitious and complex operational and information technology initiative in the Fund's history. The Fund continues to experience rapid growth and further geographical dispersion in the population it services. At the same time, improvements in the area of longevity are resulting in the ageing of the Fund's clientele, which in turn often requires more extensive consultations and other special client-servicing needs that are placing further strains on the client-servicing areas of the Fund.

Outputs

105. During the biennium 2016-2017, it is anticipated that the New York and Geneva offices will deliver the following outputs:

(a) Process an estimated 19,000 withdrawal settlements, retirement and survivor benefits;

(b) Process an estimated 4,300 other benefits after the initial retirement benefit (i.e., the more complex benefit types, such as survivor, child and two-track benefits);

(c) Determination of eligibility and affiliation into the Fund of some 21,600 new participants;

(d) Dispatch, tracking and recording of some 130,000 certificates of entitlement in the first and second mailings;

(e) Respond to an estimated 36,000 enquiries by mail and e-mail;

(f) Provision of services to an estimated 12,000 walk-in clients;

(g) Continuation of tasks such as data-cleansing and quality management, documentation of procedures, stabilization, refinements and further testing and sign-off with respect to new processes (and including 665 embedded calculations) as part of the Fund's full transition to the IPAS platform;

(h) Efficient recording, monitoring and enhancement of the controls of its client interfaces, taking into account the new IPAS platform;

(i) Review and assessment of a client relationship management system within the new IPAS system, and further and ongoing consideration of a possible additional and/or enhanced system;

(j) Review and development of enhanced training materials for workshops and seminars that are to be provided to Fund staff (in both the New York and Geneva offices), participants, retirees and other beneficiaries, as well as to the Staff Pension Committee secretariats and other human resources staff of the member organizations;

(k) Enhancement of the controls and a redesign of the certificate of entitlement form, with further efforts to streamline the overall certificates of entitlement process;

(l) Enhancement and continued development of performance data for both internal requirements and the various oversight bodies;

(m) Enhancement of outreach capabilities through seminars and training to be provided to participants, retirees and other beneficiaries, Staff Pension Committee secretariats, various subcommittees (including both advisory and working groups) and members of the Board.

Table 12

Resource requirements (Operations, New York)

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
Post	11 514.6	12 387.3	61	65
Non-post	1 199.2	1 476.4		
Total	**12 713.8**	**13 863.7**	**61**	**65**

106. The amount of $13,863,700 will provide for 65 posts (1 D-1, 2 P-5, 3 P-4, 6 P-3, 5 General Service (Principal level) and 48 General Service (Other level)) and non-post resources of $1,476,400. The overall net increase in posts relates to the request for eight new posts (2 P-3 and 6 General Service (Other level)) and is offset in part by the abolishment of four temporary IPAS posts (2 P-4 and 2 P-3) as at 1 January 2015. Non-post resources have increased by $277,200 as a result of increases in other staff costs ($140,300) and travel ($136,900).

Table 13

Resource requirements (Operations, Geneva)

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
Post	8 806.0	10 009.3	30	33
Non-post	1 948.8	2 646.9		
Total	**10 754.8**	**12 656.2**	**30**	**33**

107. The amount of $12,656,200 will provide for 33 posts (1 D-1, 2 P-5, 3 P-4, 4 P-3, 1 General Service (Principal level) and 22 General Service (Other level)) and non-post resources of $2,646,900. The increase in post resources of $1,203,300 relates to the request for the establishment of three new posts (1 P-5, 1 P-4 and 1 P-3). Non-post resources have increased by $698,100 as a result of increases in other staff costs ($550,200), travel ($10,000), hospitality ($2,000), premises and operating costs ($107,500) and supplies and materials and furniture and equipment ($28,300).

Financial Services Section

Resource requirements (before recosting): $14,413,100

108. The Financial Services Section provides comprehensive services through its Payments, Accounts and Cashier Units and is accountable for all financial, accounting and disbursement operations of the Fund. The Fund's financial transactions amount to more than $8 billion each biennium (including both benefit payments and contribution collections). Every month, the Fund processes approximately 72,000 periodic benefit payments in 15 currencies and effects payments to retirees and other beneficiaries living in more than 190 countries. Every quarter, the Fund calculates the adjustment to the benefit payment of beneficiaries who chose the two-track (comparative) feature. The Fund adjusts the benefit payments to cost-of-living increases in accordance with the pension adjustment system. The Section is also responsible for producing accurate and timely financial statements for the Fund as a whole, including all investment activity as reported by the Investment Management Division, and for maintaining liaison and coordinating with both internal and external auditors with regard to the financial aspects of the Fund. In 2012, the Fund implemented the International Public Sector Accounting Standards (IPSAS), significantly increasing the transparency and disclosure of the financial reporting process.

Table 14

Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: Ensure timely, accurate and secure payment of benefits and full accountability for all financial, accounting and disbursement operations of the Fund

Expected accomplishments	Indicators of achievement
1. Effective management of benefit payments	1.1. Timely, accurate and secure payment of Pension Fund periodic benefit payments in 190 countries and in 15 currencies
	Performance measures
	2012-2013: $4.5 billion
	Estimate 2014-2015: $4.8 billion
	Target 2016-2017: $5.0 billion
	1.2. Timely, accurate and secure payment of Pension Fund non-periodic benefit payments
	Performance measures
	2012-2013: 100 per cent
	Estimate 2014-2015: 100 per cent
	Target 2016-2017: 100 per cent

2. Enhanced accuracy and consistency of contribution recording	2.1. All participant records verified within six weeks of receipt of year-end schedule *Performance measures* (Verify records for all participants within six weeks of receipt of year-end schedule) 2012-2013: 100 per cent Estimate 2014-2015: 100 per cent Target 2016-2017: 100 per cent 2.2. Implementation of monthly reconciliations of contribution schedules for one pilot organization *Performance measures* 2012-2013: None Estimate 2014-2015: 2014: one member organization reporting monthly (not reconciled monthly owing to IPAS implementation delay); 2015: progress on member organization implementation of common interface Target 2016-2017: continued member organization progress and continued IPAS development towards monthly reconciliation; at least one member organization performing monthly reconciliations for each enterprise resource planning system in the common system
3. Enhanced transparency of financial reporting, improved information for internal control and governance purposes	3.1. Timely provision of financial statements (final statement issued by end of April of the following year) *Performance measures* 2012-2013: achieved utilizing IPSAS Estimate 2014-2015: timely preparation Target 2016-2017: timely preparation 3.2. Unqualified audit opinion by Board of Auditors on financial statements prepared under the financial reporting standards adopted by the Fund *Performance measures* 2012-2013: unqualified audit opinion Estimate 2014-2015: unqualified audit opinion Target 2016-2017: unqualified audit opinion

3.3. Absence of significant adverse audit findings on financial services

Performance measures

2012-2013: no significant adverse audit findings on financial services

Estimate 2014-2015: no significant adverse audit findings on financial services

Target 2016-2017: no significant adverse audit findings on financial services

3.4. Expansion of the scope of the statement of internal control

Performance measures

2012-2013: included in financial statements (2013)

Estimate 2014-2015: continued review and possible enhancement

Target 2016-2017: continued review

External factors

109. Financial services are expected to achieve their objectives and expected accomplishments on the assumption that: (a) adequate human and financial resources are provided; (b) transactional volumes are not significantly above expectations; (c) there are no significant changes in the Fund's operating environment (such as political conflicts or natural disasters); (d) no new additional mandates are assigned to the Fund by the Pension Board or the General Assembly; and (e) member organizations submit contribution information periodically and on time. Recognition must also be given to the additional workloads required of all staff, especially in technical and substantive areas, in the implementation and stabilization of the IPAS project during the biennium 2014-2015, which is the most ambitious and complex operational and information technology initiative in the Fund's history.

Outputs

110. During the biennium 2016-2017, the following outputs will be delivered:

(a) With regard to payments to pensioners:

(i) Timely receipt of payments (more than 72,000 monthly periodic payments in 190 countries and in 15 currencies);

(ii) Make every effort to continue the reduction of banking fees to the Fund;

(iii) Make every effort to reduce or eliminate bank charges to pensioners wherever possible;

(b) Prepare IPSAS-compliant financial statements with associated footnotes and achieve unqualified audit opinions;

(c) Reduction in the number of outstanding audit observations between reports on the areas under supervision and technical accounting issues;

(d) Initiate the transition to monthly reconciliation of contribution information submitted by selected member organizations;

(e) Continue to work with the Risk Management and Legal Services Section to provide an enhanced statement of internal control as part of financial statement reporting;

(f) Full reconciliation for all remitting entities to be produced within the specified time frame of six months following the submission of the year-end schedules;

(g) Full reconciliation of the data held in the master separation file records with payroll history records for the annual and biennial close;

(h) Presentations and training on contribution-related participant reconciliation exceptions issues in New York and Geneva and with large reporting entities;

(i) Bank reconciliations for all accounts to be completed on a monthly basis in a timely manner;

(j) Timely adherence to any updated banking requirements and international reporting standards regarding payments to pensioners;

(k) Study and deliver, if feasible, the special project on signature verification.

Table 15
Resource requirements

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
Post	8 291.9	8 463.3	42	40
Non-post	3 500.4	5 949.8		
Total	**11 792.3**	**14 413.1**	**42**	**40**
Extrabudgetary	155.8	155.8	1	1
Total	**11 948.1**	**14 568.9**	**43**	**41**

111. The amount of $14,413,100 will provide for 40 posts (1 D-1, 1 P-5, 3 P-4, 6 P-3, 1 P-2, 3 General Service (Principal level) and 25 General Service (Other level)) and non-post resources of $5,949,800. The increase in post resources of $171,400 results from the request for two new posts (1 General Service (Principal level) and 1 General Service (Other level)), the upward reclassification of one P-4 post as a P-5 post and the delayed impact of one new P-3 post approved in 2014-2015 ($135,600), offset in part by the abolishment of four temporary IPAS posts as at 1 January 2015 (1 P-4 and 3 General Service (Other level)). Non-post resources have increased by $2,449,300 as a result of increases in contractual services related mainly to the Vitech V3 system enhancements project, which is detailed in annex III

to the supplementary budget document ($2,462,700), other staff costs ($491,600), consultants ($147,800) and travel ($6,300), offset in part by a decrease in general operating expenses ($659,000), which is attributable mostly to a reduction in bank fees due to continued savings from the implementation of a new contract with a reduced fee structure and the development and introduction of a process that automates routing for more complex payment cases (also improving the control environment and reducing the number of returns and reissuances of payments).

112. Extrabudgetary resources in the amount of $155,800 are also proposed for one General Service (Other level) post. At its 186th meeting, the Standing Committee reviewed a note on the after-service health insurance premium deduction programme undertaken by the Fund. As a result, those extrabudgetary resources were approved and funded by participating member organizations at no cost to the Fund.

Risk Management and Legal Services Section

Resource requirements (before recosting): $4,051,700

113. The Risk Management and Legal Services Section is responsible for monitoring and advising on the Fund's long-term funding, solvency and sustainability by responding to the challenges of the interdependency of assets and liabilities, by identifying and managing risks and by analysing and technically assessing policies as well as existing and proposed benefit provisions. The Section was established in October 2014, and its functional role is technical and advisory in nature. The Section brings together in an integrated manner legal, actuarial, operational and risk management expertise. It advises the Chief Executive Officer and the Pension Board, as well as its various committees and working groups, in the implementation of pension policy issues, the interpretation of regulations and rules and the management of risks, which includes maintaining liaison with and representing the Chief Executive Officer in dealings with internal and external oversight mechanisms. In addition to its Chief and a Risk Officer, the Section consists of two units: the Risk Management and Technical Analysis Unit and the Legal and Compliance Unit.

114. The Section ensures the adoption of enhanced integrated risk management methods and tools that allow the Fund to effectively identify and assess changes in the overall risk profile and to develop and adopt measures to address identified risks. During the past few years, the Fund secretariat has implemented a number of initiatives to strengthen its enterprise-wide risk management framework through the identification and implementation of a risk appetite, policies, methodologies, risk assessment exercises and reports. The implementation of the various elements of the risk management framework, the expansion of the scope of the statement of internal control, the number and frequency of internal audits, and changes in the Fund's processes resulting from the implementation of the new IPAS and Umoja systems present increasing challenges for the Section and for the Fund as a whole.

115. The Fund secretariat currently has only one Risk Officer (P-4), who develops risk management policies, methodologies and tools and works with business units for their implementation; acts as the focal point for internal and external auditors; consolidates risk management and audit information for the Fund as a whole; and provides administrative and technical support to the Assets and Liabilities Monitoring Committee, the enterprise-wide risk management working group and the business continuity and disaster recovery working group. It is important to continue strengthening the Fund's risk management capacity, as the lack of sufficient

resources could create, rather than mitigate, risks by impeding the appropriate management of key projects needed to strengthen controls and improve work efficiency.

116. The Risk Management and Technical Analysis Unit continues to research, analyse, advise on and coordinate relevant plan design issues with a view to ensuring continuity and cohesiveness among the various constituents of the Fund and minimizing the complexity of overall plan design, as well as simplifying and streamlining regulations. The Unit monitors and reports on periodic actuarial valuation processes and facilitates the completion of asset/liability modelling studies. In that regard, the Unit is responsible for maintaining liaison with the Investment Management Division and the Fund's consulting actuary. In addition, it provides substantive, procedural and administrative support to the Committee of Actuaries. The Unit continues to monitor currency fluctuations and other financial trends, including the Fund's two-track system, and updates and evaluates the Fund's reference tables and factors used for pension administration. The Unit is responsible for coordination with the International Civil Service Commission with regard to interrelated issues and participates in the work of other working groups and studies in the United Nations common system that are relevant to the Fund.

117. The Legal and Compliance Unit continues to provide unified legal services for the Fund's management and operations in the New York and Geneva offices. It is responsible for facilitating consistent and uniform interpretation and application of the regulations and rules of the Fund and the provisions of the pension adjustment system. The Unit provides substantive, procedural and administrative support both to the Standing Committee of the Pension Board (appeals) and to the United Nations Staff Pension Committee (disability cases). The Unit continues to support the Fund's operations by providing legal services and assistance to all sections and offices of the Fund secretariat. It also serves participants and retirees and/or their legal representatives with regard to the application of the regulations and rules of the Fund in individual cases. Furthermore, the Legal and Compliance Unit, together with the Risk Management and Technical Analysis Unit, conceptualizes plan design issues and initiates the implementation of new provisions and modifications to existing ones.

118. The continued and significant growth in the Fund's operations and the evolution and complexity of the benefit provisions have resulted in consistently increased demand for legal review, advice and support with respect to operational activities. Moreover, the work related to enquiries in respect of non-traditional unions, and the increase in the review of legal guardianship documents, have significantly expanded the workload of the Legal Office and added complexities to its work. Sufficient resources are needed in order to adequately and professionally meet these growing service demands and review various legal documents from different jurisdictions around the world.

119. In addition, the Fund has recognized the importance of strengthening its compliance functions, particularly during this period of significant organizational change. The Fund's general procedures related to the legacy systems that have been replaced by IPAS need to be updated to reflect the new operating environment, while maintaining the key principles and policies that are the basis for the determination and administration of benefits by the Fund. There is a need to create a centralized function to oversee the unified management of the Fund's policies and procedures for its operations. Hence, an additional resource (one P-3 post) is

requested to carry out the additional compliance functions and support the legal service.

Table 16

Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To protect the legal interests and financial stability of the Fund through the provision of integrated advice, technical leadership and monitoring to the Fund's management and governing bodies in plan design, risk management and legal and compliance matters

Expected accomplishments	Indicators of achievement
1. Improved uniformity and consistency in the application of the Regulations, Rules and pension adjustment system of the Fund	1.1. Percentage of requests for review and appeals where the Fund's position has been upheld either by the Standing Committee or by the Appeals Tribunal *Performance measures* 2012-2013: 90 per cent Estimate 2014-2015: 90 per cent Target 2016-2017: 100 per cent
2. Monitoring of the overall actuarial status and sustainability of the Fund	2.1. Periodic monitoring reports on actuarial status and risk measures based on interim asset/liability management studies and other tools completed *Performance measures* 2012-2013: 100 per cent Estimate 2014-2015: 100 per cent Target 2016-2017: 100 per cent
3. Enhanced capability to define, manage and monitor the Fund's risks	3.1. Periodic risk and control analyses completed and consolidated for the whole Fund *Performance measures* 2012-2013: 100 per cent Estimate 2014-2015: 100 per cent Target 2016-2017: 100 per cent
	3.2. Risk management strategies and pension policy changes to the Fund's management and to its governing and advisory bodies, with a focus on ensuring the Fund's long-term sustainability *Performance measures* 2012-2013: not applicable Estimate 2014-2015: 100 per cent Target 2016-2017: 100 per cent

	3.3. Percentage of completion of periodic monitoring of the implementation of risk treatment plans and action plans for critical audit recommendations *Performance measures* 2012-2013: not applicable Estimate 2014-2015: 80 per cent Target 2016-2017: 80 per cent
4. Consistency of technical analysis	4.1. Percentage of decisions related to plan design that take into account the funding principles suggested by the Committee of Actuaries[a] *Performance measures* 2012-2013: not applicable Estimate 2014-2015: 100 per cent Target 2016-2017: 100 per cent

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[a] Income replacement; long-term solvency; intra- and intergenerational equity; cost control and stability; simplicity of administration; and risk control.

External factors

120. The Risk Management and Legal Services Section is expected to achieve its objectives and accomplishments on the assumption that: (a) adequate human and financial resources are provided; (b) no new additional mandates are assigned to the Fund by the Pension Board or the General Assembly; (c) the Fund's committees, Pension Board, member organizations, oversight mechanisms, operational staff and management will seek its advice and services; and (d) advice and assistance is sought in a timely manner and clients present sufficient and timely information for analysis and support and will be guided by the advice provided. Recognition must also be given to the additional workloads required of all staff, especially in technical and substantive areas, in the implementation and stabilization of the IPAS project during the biennium 2014-2015, which is the most ambitious and complex operational and information technology initiative in the Fund's history.

Outputs

121. During the biennium 2016-2017, the following outputs will be delivered:

(a) Management of actuarial, technical and asset/liability management matters:

(i) Provide statistical and actuarial support as well as technical documentation to the Chief Executive Officer, the Pension Board, the Committee of Actuaries, member organizations and, in line with the Fund's confidentiality policies, outside entities;

(ii) Provide support and coordination with respect to all matters associated with actuarial funding and reporting, specifically manage the Fund's actuarial valuation process and the communication of valuation results, both internally and externally;

(iii) Maintain liaison with the consulting actuary regarding actuarial costings, the submission of participant data and other matters as they arise within the framework of the contract between the Fund and the consulting actuary;

(iv) Provide substantive, technical and administrative servicing of the meetings of the Committee of Actuaries (3 instances), including the preparation of reports and documentation;

(v) Manage the Fund's asset liability management study from the secretariat side in close coordination with staff of the Investment Management Division: successfully complete bidding processes; assess, report on and develop a recommendation implementation plan;

(vi) Research, analyse and draft notes regarding plan design and funding and sustainability matters, including proposals to rectify current or potential anomalies owing to shortfalls in the current design;

(vii) Work with other sections of the Fund regarding the monitoring of the two-track feature of the pension adjustment system;

(b) Enterprise-wide risk management:

(i) Implement and continuously improve, in coordination with the Investment Management Division, the enterprise risk management and internal control framework (risk management and internal control policies, methodologies and tools);

(ii) Facilitate the completion of annual internal risk assessment exercises for the financially relevant processes of the Fund secretariat to support the preparation of the Fund's statement of internal control;

(iii) Coordinate and support, in coordination with the Investment Management Division, the completion of independent risk assessments conducted by external consultants for every office of the Fund;

(iv) Advise managers in the definition of risk management strategies for the management of emerging risks and in the preparation of risk treatment and response plans for the risks identified, and monitor and report on the implementation of the agreed strategies;

(v) Monitor the risks of the Fund secretariat and prepare periodic reports on the Fund's risk profile to senior management, the enterprise-wide risk management working group and the Audit Committee, and prepare the annual statement of internal control;

(vi) Develop and maintain risk management and audit information and reporting tools in order to facilitate the dissemination of risk management and audit information and best practices across the Fund secretariat to foster a risk-aware culture;

(vii) Provide substantive, technical and administrative support to the Assets and Liabilities Monitoring Committee (4 instances) and to the Fund's internal working groups, including the enterprise-wide risk management working group and the business continuity and disaster recovery working group (8 instances), including the preparation of reports and documentation;

(viii) Interface with internal and external oversight mechanisms: build collaborative solutions with internal and external auditors for the timely and effective identification and management of risks and the evaluation of the control environment, acting as a focal point with those oversight mechanisms for the provision of information, the conduct of audits, the preparation of responses to audit reports and monitoring and reporting on the implementation of audit recommendations;

(c) Legal and compliance services:

(i) Provide advice on questions relating to the interpretation and application of the regulations and rules of the Fund and the pension adjustment system and the provision of operational support in respect of administrative policies and procedures;

(ii) Provide advice on and, as appropriate, supervision and oversight of the review, negotiation and drafting of agreements and other legal instruments with member organizations and other international and intergovernmental organizations;

(iii) Provide advice and prepare documentation regarding institutional and operational modalities, legal submissions and other legal documents; prepare respondent's answers to the United Nations Appeals Tribunal in cases concerning pension matters (10 instances);

(iv) Prepare legal publications or communications to Fund participants/beneficiaries, pension secretariats and the administrations of member organizations, including the relevant material for the Fund's website;

(v) Service the meetings of the United Nations Staff Pension Committee and the Standing Committee, including streamlining and modernizing information-sharing, through the electronic dissemination of documents by means of Web-based Quick Places and the other knowledge management tools of the Fund:

a. Provide advice on rules of procedure, the interpretation and implementation of resolutions and Pension Board/Committee decisions;

b. Provide substantive, technical and administrative servicing of the meetings of the Standing Committee (2 instances), including the preparation of approximately 12 requests for review and appeals; analyse legal issues; and prepare reports and documentation;

c. Provide substantive, technical and administrative servicing of the meetings of the United Nations Staff Pension Committee (4 instances), prepare applications for disability benefits (approximately 140 new adult cases and 40 child cases and approximately 190 review cases and 2 appeals cases) and prepare reports and documentation;

(vi) Codify and systematically disseminate the jurisprudence of the Standing Committee and Administrative Tribunal cases as well as other legal reference files, opinions, policy decisions and guidelines;

(vii) Maintain liaison with member organizations of the Fund, their staff pension committees and other international organizations on issues related to legal questions in pension schemes.

Table 17
Resource requirements

	Resources (thousands of United States dollars)		Posts	
Category	2014-2015	2016-2017 (before recosting)	2014-2015	2016-2017
Post	2 836.0	3 594.5	9	11
Non-post	1 054.5	457.2		
Total	**3 890.5**	**4 051.7**	**9**	**11**

122. The amount of $4,051,700 will provide for 11 established posts (1 D-1, 2 P-5, 3 P-4, 2 P-3 and 3 General Service (Other level)) and non-post requirements of $457,200. The increase in post resources of $758,500 results from the proposal for two new posts (1 P-3 and 1 General Service (Other level)) and the delayed impact of two new posts approved in 2014-2015 (1 D-1 and 1 General Service (Other level)) ($267,600), offset in part by the downward reclassification of one post of Senior Legal Officer (P-5) as a P-4 post, proposed by the budget working group. The decrease in non-post resources of $597,300 relates to the decreases for consultants ($258,100) and other staff costs ($396,600), offset in part by increases in general operating expenses ($50,000) and travel ($7,400).

4. Programme support

Information Management Systems Service

Resource requirements (before recosting): $24,658,400

123. The Information Management Systems Service is responsible for the Fund's information systems and communications technologies, coordinating the implementation of strategic decisions taken by the Information Technology Executive Committee, establishing training plans for information and communications technology staff and providing the necessary tools for supporting knowledge exchange and cooperative work.

124. The Service is responsible for the provision of overall computing, office automation and software/systems design, the development and implementation of technology-driven solutions, hardware support, software maintenance, telecommunications and shared infrastructure services, the supervision and technical leadership of information technology operations in the Fund's Geneva office, and the management of resources, infrastructure and conference room support. As benefit provisions and payments are adjusted to reflect economic and demographic changes, the increased demand for up-to-date information needs to be met. Thus, the service will support the Fund in maintaining and upgrading physical infrastructure and applications; improving overall operational processes, system capabilities and performance; and automating data exchanges with member organizations. The Fund will enhance information-sharing with member organizations, expanding the use of dedicated interfaces and ensuring that the Fund's information technology infrastructure keeps pace with the changing requirements of business users while taking advantage of advanced technologies to support improvements in security, performance and quality of service.

125. After the anticipated deployment of IPAS, there will be a period of stabilization. As efficiency gains are realized through IPAS, the Service will focus on IPAS configuration changes and business intelligence systems, reports and analysis. Such reporting will reinforce internal controls, advance technical analysis and improve compliance functions.

Table 18
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: Facilitate the achievement of the operational and strategic goals of the Fund through the efficient and effective use of information and communications technology

Expected accomplishments	**Indicators of achievement**
1. Improved information technology services	1.1. Percentage of information technology systems at satisfactory (or above) level of support *Performance measures* 2012-2013: 95 per cent Estimate 2014-2015: 95 per cent Target 2016-2017: 95 per cent
2. Increased information security	2.1. Percentage increase in compliance, for the defined deliverables in accordance with the International Organization for Standardization (ISO) security standards *Performance measures* 2012-2013: 90 per cent Estimate 2014-2015: 90 per cent Target 2016-2017: 90 per cent
3. Improved sharing of electronic information with member organizations, participants, beneficiaries and other clients	3.1. Percentage of participants having human resources information delivered electronically *Performance measures* 2012-2013: 80 per cent Estimate 2014-2015: 80 per cent Target 2016-2017: 90 per cent
	3.2. Percentage of participants having financial information delivered electronically *Performance measures* 2012-2013: 80 per cent Estimate 2014-2015: 80 per cent Target 2016-2017: 90 per cent

External factors

126. The Information Management Systems Service is expected to achieve its objectives and accomplishments on the assumption that: (a) adequate human and financial resources are provided; (b) there are no significant changes in the Fund's operating environment (such as political conflicts or natural disasters); (c) the evolution of technology is in line with expectations; (d) stakeholders fulfil their responsibilities and obligations and extend their full cooperation in attaining the objectives of the information and communications technology strategy; and (e) member organizations provide financial data on time and in accordance with agreed formats.

Outputs

127. During the biennium 2016-2017, the following outputs will be delivered:

(a) Enterprise operations services:

(i) Policies: ensure that all information and communications technology services delivered by the Information Management Systems Service meet the expectations of the Fund's Information Technology Executive Committee and relevant industry standards to the extent possible (e.g., Information Technology Infrastructure Library); enforce network security in line with security standard ISO 20000 for the Fund's information and communications technology infrastructure;

(ii) Communications: provide backbone communications services, including Internet, private leased lines, telecommunications devices and equipment and the required communications lines used to connect the various offices of the Fund, including the Fund secretariat, the Geneva office, the Investment Management Division and the established information technology infrastructure hosting arrangement with the International Computing Centre; upgrade the New York backbone network infrastructure with robust capabilities to support users with diverse requirements for high-speed mission-critical data, voice and video traffic to the desktop;

(iii) Information and communications technology infrastructure services: conduct multi-shift operations and manage and maintain information and communications technology infrastructure services, such as server management, middleware management and data backup, in New York, New Jersey and Geneva to support the operations of the Fund; monitor applications, equipment, network loads and traffic from the command centre to prevent the failure of services;

(iv) Disaster recovery: implement the multi-year disaster recovery strategy to support Pension Fund business continuity requirements;

(v) Other services provided include: infrastructure architecture services, user support/help desk, messaging, database administration, system programming data warehouse support, and management reporting;

(b) Enterprise applications services:

(i) Development: enhance systems that improve productivity and efficiency by reducing the manual processing of benefits; enhance participant and beneficiary processing related to banking, accounting system and workflow interfaces;

(ii) Enterprise systems maintenance: maintain and configure enterprise systems for core business applications, including pension administration, accounting and content management; ensure that mission-critical business systems (e.g., V3 and e-business) remain current with vendor updates, releases and upgrades;

(iii) Pension interface programme: provide and maintain member organization information-sharing for the collection of human resources and financial data; maintain custom interfaces and systems programmes to enhance the collection of human resources and financial data through various enterprise resource planning interfaces used by various organizations; maintain electronic file transfer interfaces to securely support the sharing and translation of information;

(iv) Other services provided include: quality standardization, change management, service level and delivery agreements, and production control;

(c) Enterprise security services:

(i) Information security: carry out periodic security risk assessments of technological structures and operations of Pension Fund offices in New York and Geneva and secure the network; define a risk treatment plan that utilizes technical, administrative and physical controls for risk mitigation as directed by management;

(ii) Identity management: provide the ability to centrally manage the creation, modification and termination of identities and ensure appropriate role-based access controls for the management of authentication, authorization and accounting of credentials;

(iii) Disaster recovery: formulate a multi-year disaster recovery strategy to support Pension Fund business continuity requirements;

(d) Contract management services: plan, lead and participate in vendor relationship and procurement activities, including those with technology partners, contractors and outsourcers.

Table 19
Resource requirements

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
Post	7 943.7	8 141.7	28	28
Non-post	25 988.9	16 516.7	–	–
Total	**33 932.6**	**24 658.4**	**28**	**28**

128. The amount of $24,658,400 will provide for 28 posts (1 D-1, 2 P-5, 6 P-4, 12 P-3, 1 General Service (Principal level) and 6 General Service (Other level)); the abolishment of 2 temporary IPAS posts as at 1 January 2015 (1 P-5 and 1 P-4); and

non-post resources of $16,516,700. The increase in post resources of $198,000 results from the proposed two new posts (2 P-3), offset in part by the reduction in temporary posts. The overall reduction in non-post resources of $9,472,200 is attributable to a decrease in contractual services, mostly as a result of the deployment of IPAS in 2015 ($10,128,600) and reductions in general operating costs ($490,400), resulting primarily from a decrease in communications, offset by increases in other staff costs ($1,014,800), supplies and materials and information technology equipment ($72,300) and travel ($59,600).

Executive Office

Resource requirements (before recosting): $14,997,400

129. The Executive Office provides the administrative and programme support necessary for the implementation of the activities of the Fund. The Office services the Investment Management Division and the Fund secretariat in three distinct areas: human resources and travel; finance and budget; and facilities management.

130. The Office provides support in the areas of the administrative budget and related expenditure, human resources (including recruitment), travel, and general administration (including facilities management services).

131. As a result of the relocation of the Fund from the Secretariat Building to a commercial building in 2005, the Office has taken on much more authority (and therefore responsibility) than most other executive offices, including all aspects of facilities management for the seven floors that the Fund occupies at 1 Dag Hammarskjöld Plaza. In that regard, the Office is responsible for everything that affects Fund property, including the construction and renovation of office space; overseeing building contracts (including insurance), leases, utilities and vendors; access to the Fund's offices; the secure shredding of confidential documentation; and the recycling and waste disposal programme.

132. The Fund's Executive Office also provides administrative support and travel arrangements for the Audit Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee, the Pension Board, various working groups, Fund staff and consultants, and ad hoc meetings throughout the year.

133. By the end of 2015, the United Nations offices in New York and Geneva will make the transition to Umoja as their central administrative system. The full implementation of Umoja will result in the re-engineering of the back-office processes currently performed by the various departments and offices of the United Nations Secretariat as well as by the Fund. In preparation for Umoja implementation, the executive offices across the Secretariat have initiated the process of co-locating their administrative staff carrying out generic back-office functions with the administrative units of the various departments and sections of the Office of Central Support Services, the Office of Human Resources Management, the Office of Programme Planning, Budget and Accounts and the Office of Information and Communications Technology in order to bring together similar business activities currently carried out in individual departments and offices. This change is aimed at bringing support functions into line with the organizational transformation brought about by Umoja. Implementing that change during the predeployment phase of Umoja implementation has been considered a requirement for ensuring a smooth transition to the new operating model, which

must be in place by 1 November 2015, when the Umoja solution is expected to be deployed at all New York- and Geneva-based United Nations organizations. The Fund will retain its existing authority (for example, in budget management and staff selection) and the unique processes critical to the implementation of its mandate. The scope of functions to be consolidated and the processes to be retained within the Fund will be determined taking into consideration the requirements imposed by Umoja with respect to the specific and unique requirements of the Fund.

Table 20

Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: Facilitate the achievement of the operational and strategic goals of the Fund through efficient and effective administrative and programme support

Expected accomplishments	**Indicators of achievement**
1. Timely recruitment and placement of best-qualified candidates	1.1. Recruitment of staff within organizational timelines
	Performance measures
	2012-2013: 18 per cent vacancy rate
	Estimate 2014-2015: 15 per cent vacancy rate
	Target 2016-2017: 10 per cent vacancy rate
	1.2. Increased percentage of women in the Professional and higher categories for appointments of one year or more
	Performance measures
	2012-2013: 3 per cent increase (47 per cent)
	Estimate 2014-2015: 3 per cent increase (50 per cent)
	Target 2016-2017: 0 per cent increase (50 per cent)
2. Ensure that all staff receive emoluments in a timely manner	2.1. Deadlines met for the payment of all entitlements
	Performance measures
	2012-2013: 100 per cent
	Estimate 2014-2015: 100 per cent
	Target 2016-2017: 100 per cent
3. All staff e-performance evaluations completed in a timely manner	3.1. All e-performance evaluations finalized by 30 June of each year
	Performance measures
	2012-2013: 55 per cent
	Estimate 2014-2015: 75 per cent
	Target 2016-2017: 100 per cent

4. Effective consultation with staff on matters concerning staff welfare	4.1. Regular staff-management meetings of the Fund secretariat and the Investment Management Division held pursuant to staff regulations 8.1 and 8.2 *Performance measures* 2012-2013: zero Estimate 2014-2015: 3 meetings Target 2016-2017: 1 meeting per quarter
5. Improved management and monitoring of the Fund's administrative budget	5.1. Reduce unliquidated obligations and cancellation of prior-period obligations as a percentage of final appropriations *Performance measures* 2012-2013: 2.0 per cent Estimate 2014-2015: 1.8 per cent Target 2016-2017: 1.8 per cent
6. Enhanced quality and timeliness of facilities and property services	6.1. Decreased working days lost owing to the downtime of building facilities *Performance measures* 2012-2013: zero working days Estimate 2014-2015: zero working days Target 2016-2017: zero working days

External factors

134. The Executive Office is expected to achieve its objective and expected accomplishments on the assumption that: (a) the required human and financial resources are provided; and (b) there are no significant changes in the Fund's operating environment (such as political conflicts or natural disasters).

Outputs

135. During the biennium 2016-2017, the following outputs will be delivered:

(a) Human resources management:

(i) Provision of policy advice to all staff on all issues relating to human resources management;

(ii) Management of tracking data regarding job openings for hiring managers to support recruitment targets;

(iii) Report on electronic performance appraisal system compliance data to directors;

(iv) Interviews scheduled for all Inspira and temporary vacancy announcement recruitment;

(v) Coordination of processes related to staff/management relations: rebuttal panels, the financial disclosure programme, staff/management meetings, management evaluation cases, ethics and prohibited conduct;

(vi) Maintenance of the staffing table;

(vii) Arranging travel for United Nations members of the Pension Board and members of the Audit Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee and the staff of the Fund;

(viii) Administrative support for meetings of committees and working groups of the Pension Board;

(b) Finance and budget:

(i) Provision of guidance to programme managers on, and completion of, the Fund's biennial and revised budgets;

(ii) Issuance and revision of allotments;

(iii) Monitoring and reporting of expenditure to programme managers on a monthly basis;

(iv) Provision of advice and guidance to programme managers on the application of the Financial Regulations and Rules of the United Nations;

(v) Control of the administrative budget, including verification of invoices prior to payment;

(vi) Completion of schedule 1 (status of appropriations in relation to administrative expenses) and related disclosure notes for the Fund's annual financial statement;

(vii) Reconciliation of administrative expenses between the Fund and the United Nations Secretariat;

(c) All aspects of facilities and property management:

(i) Oversee all building contractors and vendors;

(ii) Complete annual inventory of assets;

(iii) Serve as property focal point for business continuity;

(iv) Coordinate and oversee all office construction, remodelling and repairs;

(v) Manage the shredding programme for confidential documents as well as the programmes for the recycling and disposal of waste;

(d) Respond to audit queries in all functional areas of the Executive Office;

(e) Coordinate the implementation of the Umoja information technology platform, monitor its performance and reconcile incorrect data with IMIS.

Table 21
Resource requirements

	Resources (thousands of United States dollars)		Posts	
Category	2014-2015	2016-2017 (before recosting)	2014-2015	2016-2017
Post	1 759.8	2 071.4	7	9
Non-post	10 579.7	12 926.0		
Total	**12 339.5**	**14 997.4**	**7**	**9**

136. The amount of $14,997,400 provides for the continuation of seven posts (1 P-5, 2 P-4 and 4 General Service (Other level)), the addition of two proposed new posts (2 General Service (Other level)) and non-post requirements for the administration as a whole in the amount of $12,926,000. The increase in post resources ($311,600) is due to the proposed two new posts. The increase in non-post resources of $2,346,300 is attributable mainly to an increase in general operating costs ($2,539,900) due mostly to increases in the premises costs for the New York office resulting from a provision for the installation of a fire sprinkler system on all four floors occupied by the Fund secretariat; and to a slight increase in supplies, materials, furniture and equipment ($1,100) to provide furniture to accommodate the new posts proposed by the Fund secretariat. The total increase in non-post resources is offset in part by decreases in travel ($6,100) and other staff costs ($188,600) due to the proposed regularization of two General Service (Other level) posts previously funded under general temporary assistance.

C. Investment costs

1. Overview

137. The Investment Management Division assists the Secretary-General, under the authority delegated to the Representative of the Secretary-General in accordance with article 19 of the regulations of the United Nations Joint Staff Pension Fund, in managing the investment of the Fund's assets. It is responsible for the day-to-day management of those assets, implementing the approved investment strategy and ensuring that the portfolio conforms to the approved asset allocation, policies and regulations and rules of the Fund. Its mandate is to generate the total amount of portfolio returns required to meet the liability demands of the Fund while staying under the Fund's risk threshold. The Division ensures that performance and portfolio risk analysis reports are accurate and up to date and arranges for the maintenance of appropriate and accurate accounts on the Fund's investments. The main sections of the Division are the Office of the Representative of the Secretary-General, the Investments Section, the Risk and Compliance Section and the newly established Operations and Information Systems Section. Following the approval in the 2014-2015 budget of the post of Chief Operating Officer (D-1) to oversee and manage the responsibilities of the Division's Operations Section and Information Systems Section, the two sections have been merged into one Operations and Information Systems Section under the leadership of the Chief Operating Officer.

138. The overall level of resources for the Investment Management Division amounts to $83,856,400 before recosting, reflecting a net increase of $142,900, or 0.2 per cent, compared with the appropriation for the biennium 2014-2015. The net increase, as shown in table 23, can be summarized as follows:

(a) Executive direction and management: the increase of $1,851,100 is attributable mostly to an increase in post resources of $1,030,500, reflecting the inward redeployment of one P-3 post from programme of work, two proposed reclassifications (1 P-4 as P-5 and 1 General Service (Other level) as General Service (Principal level)) and the delayed impact of two new posts approved in 2014-2015, together with increases for other staff costs ($527,000), contractual services ($280,900), travel ($10,300) and hospitality ($2,500);

(b) Programme of work: the decrease of $2,190,600 comprises the net effect of an increase in post resources of $2,850,400, attributable to one proposed new post (P-3), the reclassification of one General Service (Other level) post as a P-2 post and the delayed impact of the 18 new posts approved in 2014-2015, offset in part by the outward redeployment of one P-3 post to the Office of the Representative of the Secretary-General; and a decrease in non-post resources of $5,041,100. The decrease in non-post resources is attributable primarily to decreases in contractual services ($4,743,100), consultants ($401,600), travel ($89,800) and general operating expenses ($325,900), offset in part by increases in other staff costs ($369,900) and supplies and materials and information technology equipment ($149,500);

(c) Programme support: the increase of $482,000 for administrative support is attributable mainly to increases in rental costs for the office space occupied by the Division, including the newly leased fifth floor of 1 Dag Hammarskjöld Plaza.

139. The estimated distribution of resources is shown in table 22, and resource requirements by component are shown in table 23.

Table 22
Percentage distribution of resources by component

Component	*Regular budget*
A. Executive direction and management	10.9
B. Programme of work	
1. Investments	29.0
2. Risk and compliance	3.6
3. Operations and information systems	48.18
Subtotal, B	**80.8**
C. Support	
Administrative support	8.3
Subtotal, C	**8.3**
Total	**100.0**

Table 23
Resource requirements by component
(Thousands of United States dollars)

Component	*2014-2015 appropriation*	*Resource growth*		*Total before recosting*	*Recosting*	*Apportionment*		*2016-2017 estimate*
		Amount	*Percentage*			*United Nations*	*Pension Fund*	
A. Executive direction and management	7 250.5	1 851.1	25.5	9 101.6	146.8	–	9 248.4	9 248.4
B. Programme of work								
1. Investments	32 312.3	(7 975.7)	(24.7)	24 336.6	291.9	–	24 628.5	24 628.5
2. Risk and compliance	2 678.8	360.1	13.4	3 038.9	33.7	–	3 072.6	3 072.6
3. Operations and information systems	34 979.6	5 425.2	15.5	40 404.8	826.8	–	41 231.6	41 231.6
Subtotal, B	**69 970.7**	**(2 190.4)**	**(3.1)**	**67 780.3**	**1 152.3**	**–**	**68 932.6**	**68 932.6**
C. Support								
Administrative	6 492.4	482.1	7.4	6 974.5	24.6	–	6 999.2	6 999.2
Subtotal, C	**6 492.4**	**482.1**	**7.4**	**6 974.5**	**24.6**	**–**	**6 999.2**	**6 999.2**
Total	**83 713.6**	**142.8**	**0.2**	**83 856.4**	**1 323.8**	**–**	**85 180.2**	**85 180.2**

2. Executive direction and management

Resource requirements (before recosting): $9,101,600

140. The Representative of the Secretary-General is responsible for implementing an investment strategy aimed at achieving the Fund's real-rate-of-return objective and setting forth a coherent investment operations to safeguard the sustainability of the Fund over time. The Representative leads the increasingly complex and demanding investment operations in terms of strategy and policy analysis; asset liability management; asset allocation; portfolio management and investment decision-making; risk management; compliance and monitoring; back-office accounting; trade settlement; cash management; and systems and information technology requirements to ensure that all operations and functions are properly coordinated and aligned under a consistent and coherent management framework. The key initiatives include updating the strategic asset allocation and investment policy statement and improving transparency. The Investment Management Division will also continue to diversify investment in terms of both geographical and asset class distribution while maintaining the four criteria of safety, liquidity, convertibility and profitability. In response to quickly changing market conditions, the Division has undertaken a number of initiatives that will provide the capacity to anticipate and manage such issues effectively, not only in the short term, but also in the foreseeable future. Those initiatives include broadening the Fund's investment horizon to include quantitative strategies as well as the disciplined implementation of established investment and asset allocation strategies for the management and mitigation of risks.

141. The Office of the Representative of the Secretary-General provides leadership and direction for the operations of the Division and ensures that all operations and

activities are coherently aligned and directed towards achieving its work programme and safeguarding fiduciary responsibilities.

Table 24

Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To achieve the required actuarial real rate of return adopted by the Pension Board over the long term without undue risk while observing the four investment criteria of safety, profitability, liquidity and convertibility

Expected accomplishments	Indicators of achievement
1. Effective alignment of the programmes of work of the Investment, Risk and Compliance, Operations and Information Systems Sections as well as the provision of legal and administrative support	1.1. 100 per cent compliance with the deadlines for the submission reports, responses, presentations, documents and meeting materials to the Investments Committee, the Pension Board and its committees and other governing bodies
	Performance measures
	2012-2013: 100 per cent
	Estimate 2014-2015: 95 per cent
	Target 2016-2017: 100 per cent
	1.2. Increased number of coordination, monitoring and project implementation monitoring meetings, with 100 per cent of the decisions made implemented
	Performance measures
	2012-2013: not applicable
	Estimate 2014-2015: project implementation follows Prince2; information and communications technology steering committee started at the end of 2014 and meets regularly; 70 per cent of decisions implemented
	Target 2016-2017: 90 per cent of decisions implemented
	1.3. Critical audit recommendation(s) implemented as planned
	Performance measures
	2012-2013: 90 per cent
	Estimate 2014-2015: 100 per cent
	Target 2016-2017: 100 per cent

	1.4. Increased number of negotiated and approved investment transactions and agreements for products and services used by the Investment Management Division *Performance measures* 2012-2013: 13 transactions Estimate 2014-2015: 30 transactions Target 2016-2017: 35 transactions
2. Effective information-sharing and communication with various stakeholders on investment policies, strategies, priorities and results	2.1. Increased number of briefings, training sessions and town hall meetings *Performance measures* 2012-2013: not applicable Estimate 2014-2015: 3 Target 2016-2017: 6 2.2. Increased number and more regular updating of investment reports on Investment Management Division website *Performance measures* 2012-2013: not applicable Estimate 2014-2015: quarterly updates Target 2016-2017: monthly updates

External factors

142. The objective and accomplishments are expected to be achieved on the assumption that: (a) all stakeholders will be supportive of the efforts of and will extend their full cooperation to the Investment Management Division; and (b) there are no significant shortfalls in funding for the implementation of the mandates established by the General Assembly and the Pension Board.

Outputs

143. During the biennium 2016-2017, the following outputs will be delivered:

(a) A regularly updated and implemented investment policy ensuring that investment strategy is implemented in accordance with the guidance received by the Investments Committee;

(b) Legal review and negotiation of approximately 10-15 private equity investment transactions, 2 hedge fund investment transactions, 8-10 real estate investment transactions, 5-10 real asset investment transactions and 50 contracts for various products and services, in collaboration with the Office of Legal Affairs and the Fund's external legal counsel;

(c) Four Investments Committee meetings are organized annually; the Pension Board, the Advisory Committee on Administrative and Budgetary Questions, the Fifth Committee and other relevant parties are provided with accurate reports on investments.

Table 25
Resource requirements

	Resources (thousands of United States dollars)		Posts	
Category	2014-2015	2016-2017 (before recosting)	2014-2015	2016-2017
Post	2 572.9	3 603.4	11	12
Non-post	4 677.6	5 498.2		
Total	**7 250.5**	**9 101.6**	**11**	**12**

144. The amount of $9,101,600 provides for 12 posts (1 Assistant Secretary-General, 1 D-2, 2 P-5, 1 P-4, 1 P-3, 2 General Service (Principal level) and 4 General Service (Other level)) and non-post resources of $5,498,200. The increase in post resources of $1,030,500 is due to the proposed reclassification of two posts (1 P-4 as P-5 and 1 General Service (Other level) as General Service (Principal level)), the inward redeployment of one P-3 post from the Operations and Information Services Section and the delayed impact of the two posts approved in 2014-2015 (1 Assistant Secretary-General and 1 General Service (Other level)) ($632,900). The increase in non-post resources of $820,600 comprises increased requirements for other staff costs ($527,000), travel ($10,300), hospitality ($2,500) and contractual services ($280,900).

3. Programme of work

Investments Section

Resource requirements (before recosting): $24,336,600

145. The Investments Section is divided into public and private investment units and is responsible for achieving optimal investment returns for the Fund while avoiding undue risks. The public and private investment units consist of a total of nine organizational entities: North American equity, European equity, Asia-Pacific equity, global emerging markets equity, fixed income, real assets, alternative investments, trade execution, and management of external specialty funds. The primary functions involve monitoring current portfolios, keeping abreast of and tracking developments in the financial markets and making and carrying out investment decisions. The fulfilment of those functions involves the preparation of financial analyses, attendance at meetings and conferences and travel to various countries to meet analysts and companies' management. A secondary function is contributing to the formulation of reports to all the governing bodies and various committees.

146. The tasks of the Investments Section for 2016-2017 include: (a) to meet the long-term objective of an annualized real rate of return on the investments of the Fund of 3.5 per cent, as adjusted by the United States consumer price index; (b) to achieve consistent outperformance of the policy benchmark by the Fund's investments; (c) to maintain a risk level commensurate with target investment returns; and (d) to reduce currency risks and country risks through sound diversification.

Table 26

Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To achieve the required actuarial real rate of return adopted by the Pension Board over the long term without undue risk while observing the four investment criteria of safety, profitability, liquidity and convertibility

Expected accomplishments	Indicators of achievement
1. Effective management and monitoring of the implementation of tactical and strategic asset allocation	1.1. Total Fund return against the Fund's objective over a 10-year period *Performance measures* 2012-2013: 4.7 per cent 10-year real rate of return as at 31 December 2013, compared with the investment objective of 3.5 per cent Estimate 2014-2015: 4.0 per cent 10-year real rate of return as at 31 December 2014 Target 2016-2017: meet or exceed the Fund's objective of a 3.5 per cent real rate of return
	1.2. Subject to fluctuating market conditions, 100 per cent compliance with the asset allocation ranges *Performance measures* 2012-2013: Equity: 100 per cent compliance with the Fund's strategic asset allocation ranges Fixed income: 100 per cent compliance with the Fund's strategic asset allocation ranges Real assets: 100 per cent compliance with the Fund's strategic asset allocation ranges Alternative investments: inclusive of commodities, ranged from 0.8 per cent to 1.4 per cent compliance with directional allocation in the medium term Cash: 100 per cent compliance with the Fund's strategic asset allocation ranges Estimate 2014-2015: Equity: 100 per cent compliance as of January 2015 Fixed income: 100 per cent compliance as of January 2015 Real assets: 100 per cent compliance as of January 2015 Alternative investment: compliance with directional allocation in the medium term

	Cash: 100 per cent compliance as of January 2015 Target 2016-2017: 100 per cent compliance with the Fund's strategic asset allocation 1.3. Total return against the policy benchmark over a 5-year period *Performance measures* 2012-2013: 10.6 per cent 5-year nominal return against policy benchmark as at 31 December 2013 Estimate 2014-2015: 10.3 per cent 5-year nominal return against policy benchmark as at 31 December 2014 Target 2016-2017: meet or exceed the Fund's objective of 3.5 per cent real rate of return
2. Reduction of currency and country risk through sound diversification	2.1. Number of currencies invested in: *Performance measures* 2012-2013: the Fund directly invested in 24 currencies together with indirect investments through external funds Estimate 2014-2015: as at 31 December 2014, the Fund directly invested in 24 currencies Target 2016-2017: further refine the allocation of the Fund's assets by currency as appropriate 2.2. Number of countries invested in: 2012-2013: direct investments in 39 countries, with additional diversification through indirect investments via external funds Estimate 2014-2015: as at 31 December 2014, the Fund had direct investments in 39 countries, with additional diversification through indirect investments via external funds Target 2016-2017: further refine the allocation of the Fund's assets by country as appropriate
3. Diversification of investments into alternative asset classes, including private equity, infrastructure, commodities, timber, agriculture and hedge funds of funds	3.1. Allocation of alternative asset classes invested in as a percentage of the total Fund *Performance measures* 2012-2013: continued successful implementation of the alternative asset class suited to the Fund's objective. By the end of 2013, the Fund had committed \$1.8 billion to 21 private equity funds. As at 31 December 2013, the Fund's private equity allocation by market value stood at 1.1 per cent of the Fund's 31 December 2013 total market value. The Fund also committed \$500 million to one risk parity and \$200 million to three commodities funds

	By the end of 2013, the Fund had committed $225 million to four infrastructure funds and $75 million to one timber fund Estimate 2014-2015: an Investment Officer for Alternative Investments joined the Fund in January 2014. The alternative assets team will continue to expand the Fund's alternative investments, in particular its private equity portfolio, employing consistent annual investment pacing. The Fund anticipates making private equity commitments of $800 million per annum in 2014-2015. By the end of 2015, the Fund expects to be committed to 30 to 40 private equity and hedge fund managers. An additional Investment Officer for Alternative Investments was approved and is being added to the team. A request for proposal to hire a hedge fund non-discretionary adviser will be published later in 2015. In 2014, the Fund made no commitments to infrastructure, timber or agricultural funds. In 2015, the Fund expects to commit $150 million to infrastructure funds and $75 million to timber funds Target 2016-2017: with a private equity investment pace of $800 million per annum, private equity fair market value as a percentage of the Fund's total portfolio is expected to reach approximately 4.0 per cent by the end of 2017. The Fund expects to have a small portion of its overall portfolio invested in an absolute return strategy, including hedge fund and commodity investments. Private equity performance over time will continue to be measured using dollar-weighted return calculations (internal rate of return), while the absolute return portfolio will be measured using time-weighted return calculations. Benchmarking for the Fund's private equity portfolio has been discussed and agreed upon with the Fund's private equity adviser. Benchmarking for the Fund's absolute return strategy portfolio will be discussed and decided upon with the hedge fund adviser The Fund expects to commit another $300 million to infrastructure funds and $150 million each to timber and agriculture funds in 2016-2017
4. Achievement of best execution in security trades and efficient implementation of the investment strategy	4.1. Average transaction costs against industry benchmarks *Performance measures* 2012-2013: the Trade Execution Officer post for the Investment Management Division was filled in May 2013. The Trade Execution Officer introduced algorithmic trading to the Division in 2013, which included various cost-saving trading strategies. The

	explicit cost to the Fund with the incorporation of algorithmic and program trading during the period from June to December 2013 was $50,000. Without algorithmic and program Trading, the cost would have been $250,000, a savings of $200,000 from explicit costs alone, while implicit costs were reduced by accessing a larger liquidity pool. For calendar year 2012, the total equity brokerage commission was $16.7 million and total transaction volume was 11.5 billion; for calendar year 2013, the total equity brokerage commission was $19.4 million and total transaction volume was $16.1 billion Estimate 2014-2015: for calendar year 2014, program trading amounted to $328.8 million, the total equity brokerage commission was $16.4 million and total transaction volume trading amounted to $15.1 billion. It is expected that program trading will be utilized for non-United States equities by the end of 2015, subject to rebalancing opportunities provided by the Investment Officers Target 2016-2017: the trade executions through program trading will be fully utilized for global equities (North America, Europe, Asia-Pacific and emerging markets), subject to market conditions such as the implementation of asset allocation strategy and rebalancing opportunities in the regional portfolios. The improvement of the average transaction cost by 1 basis point (0.01 per cent) is equivalent to $1.2 million in savings per annum based on $30 billion in equity (the internal equity portfolio as at 31 December 2014) with an assumption of 20 per cent turnover
5. Enhanced capacity of staff in issues related to the investments and portfolio management	5.1. Percentage of staff who attend at least one relevant conference or seminar *Performance measures* 2012-2013: 100 per cent Estimate 2014-2015: as at the end of 2014, 100 per cent Target 2016-2017: 100 per cent

External factors

147. The objective and accomplishments are expected to be achieved consistently on the assumption that: (a) all stakeholders will be supportive of the efforts of and will extend their full cooperation to the Investment Management Division; (b) there are no significant shortfalls in funding for the implementation of the mandates established by the General Assembly and the Pension Board; and (c) the financial markets, such as global equity, global fixed income, real estate and foreign exchange, will move in the direction of the long-term assumptions.

Outputs

148. During the biennium 2016-2017, the following outputs will be delivered:

(a) A positive total return exceeding the Fund's objective, which is a long-term annualized real rate of return on the investments of the Fund of 3.5 per cent, as adjusted by the United States consumer price index;

(b) A positive total Fund return exceeding the policy benchmark, which is 60 per cent in equity, 31 per cent in fixed income, 6 per cent in real estate and 3 per cent in cash;

(c) The maintenance of a well-diversified portfolio, in terms of both currencies and countries, in order to reduce currency risk and country risk;

(d) Successful implementation of the alternative asset class suited to the Fund objective when market conditions are favourable for the Fund to earn a return premium exceeding what could be earned from investments in publicly listed equities;

(e) The enhancement of the professionalism and in-depth knowledge of staff, who will help to improve the performance of the Fund through participation in conferences and seminars directly related to investments and portfolio management.

Table 27

Resource requirements

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
Post	11 700.6	14 343.2	43	46
Non-post	20 611.8	9 993.4		
Total	**32 312.4**	**24 336.6**	**43**	**46**

149. The amount of $24,336,600 provides for 46 posts (2 D-1, 7 P-5, 13 P-4, 13 P-3, 6 General Service (Principal level) and 5 General Service (Other level)) and non-post resources of $9,993,400. The increase in post resources of $2,642,600 relates to the proposed new P-3 post, the inward redeployment of 2 P-3 posts from the Operations and Information Systems Section and the delayed impact of the 12 new posts approved in 2014-2015 (1 D-1, 4 P-4, 5 P-3 and 2 General Service (Principal level)) ($1,756,100). The net decrease in non-post requirements of $10,618,400 is attributable to decreases in contractual services, due mostly to planned reductions in non-discretionary advisory services ($10,249,000) and consultants ($439,300), and is offset in part by increases in other staff costs ($69,900).

Risk and Compliance Section

Resource requirements (before recosting): $3,038,900

150. Under the leadership of the Deputy Director for Risk and Compliance, the Risk and Compliance Section is responsible for identifying, measuring and managing all aspects of the risks to which the Fund is exposed. In addition, in terms

of compliance, it is mandated to implement adequate monitoring and control processes covering the Fund's investments. Its function comprises two subfunctions: risk management and compliance.

Table 28

Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To achieve the required actuarial real rate of return adopted by the Pension Board over the long term without undue risk while observing the four investment criteria of safety, profitability, liquidity and convertibility

Expected accomplishments	**Indicators of achievement**
1. Effective oversight of all material risks involved in the Fund's investment decisions and effective monitoring of all external fund managers, in both public and private markets	1.1. Quarterly relative and absolute risk reports submitted, with no negative feedback from the Investments Committee *Performance measures* 2012-2013: all quarterly compliance reports created and presented to the Representative of the Secretary-General; two business continuity and disaster recovery tests completed; risk manual updated; risk budget established and revised; risk tolerance statistics presented to all 4 meetings of the Investments Committee; risk and performance dashboard completed in a timely manner 4 times per year; 2 due diligence site visits completed for the master record keeper; all performance measures achieved as expected Estimate 2014-2015: produce 4 quarterly compliance reports; produce performance and dashboard reports for the Investments Committee; monitor compliance with risk tolerance; contribute to the asset/liability management study; produce innovative solutions for low-carbon investing; implement new policy tree and start workplan to implement asset/liability management recommendations Target 2016-2017: produce 4 quarterly compliance reports; produce performance and dashboard reports for the Investments Committee; monitor compliance with risk tolerance; implement asset/liability management recommendations, including benchmarks and asset classes
	1.2. Risk budget revised annually *Performance measures* 2012-2013: risk budgets revised and time series monitoring of risk tolerance produced 4 times per year for the Investments Committee

Estimate 2014-2015: risk budget will be revised once during the biennium, as it has become much more stable; the risk tolerances will continue to be monitored and reported to the Investments Committee 4 times per year

Target 2016-2017: risk budget will be revised once during the biennium, as it has become much more stable; the risk tolerances will continue to be monitored and reported to the Investments Committee 4 times per year

1.3. Annual training on effective risk management provided to all staff

Performance measures

2012-2013: training sessions completed

Estimate 2014-2015: 100 per cent planned training completed

Target 2016-2017: 100 per cent planned training completed

1.4. Improved due diligence (including on-site visits) on private market investments

Performance measures

2012-2013: due diligence conducted by phone owing to a shortage of resources and an increased pace of investment in private investments

Estimate 2014-2015: priority given to the due diligence of larger managers; once the Section is fully staffed, more managers will be visited

Target 2016-2017: 100 per cent of planned due diligence, including on-site visits, will be completed

1.5. Improved monitoring of all external managers, including an increase in the number of on-site visits

Performance measures

2012-2013: monitoring carried out through the master record keeper and by analysing return time series; the risk group did not perform on-site visits owing to a shortage of resources and the very small size of the group

Estimate 2014-2015: it is estimated that the performance objective of on-site visits will not be met, but performance is regularly monitored through performance reports from managers and the master record keeper

Target 2016-2017: 100 per cent of planned due diligence, including on-site visits, will be completed

2. Effective implementation of all risk controls as indicated in the risk manual, including fraud scenarios; compliance with the Investment Management Division's compliance policies and procedures	2.1. Quarterly compliance exception report listing risk control breaches *Performance measures* 2012-2013: all 8 reports generated and discussed with the Representative of the Secretary-General and appropriate remedial actions taken Estimate 2014-2015: generate 8 quarterly compliance exception reports Target 2016-2017: generate 8 quarterly compliance exception reports 2.2. Fraud scenarios and controls tested on an annual basis *Performance measures* 2012-2013: fraud scenarios created but not tested Estimate 2014-2015: fraud scenarios will be more fully tested in 2015 once the recruitment process for the Fraud Officer has been completed Target 2016-2017: fraud control scenarios to be reviewed and testing programme to be put in place 2.3. Full compliance in the recording of personal trading, the reporting of hospitality events and gifts returned *Performance measures* 2012-2013: all personal trading subject to approval; the process is well established and working smoothly Estimate 2014-2015: 100 per cent compliance with the personal trading policy of pre-approval Target 2016-2017: 100 per cent compliance with the personal trading policy of pre-approval 2.4. all audit recommendations responded to, with the majority implemented and closed by the agreed deadline *Performance measures* 2012-2013: all audit recommendations responded to in time; the risk group coordinated all interactions with all of the audit bodies Estimate 2014-2015: continue to coordinate all audit activities; 100 per cent compliance with response timelines Target 2016-2017: continue to coordinate all audit activities; 100 per cent compliance with response timelines

3. Comprehensive implementation of environmental, social and governance factors and principles of responsible investment in the investment process	3.1. At least one conference on principles of responsible investment/socially responsible investment held per biennium *Performance measures* 2012-2013: the Compliance Officer attended the conference held in South Africa Estimate 2014-2015: attend at least one conference on principles of responsible investment/socially responsible investment during the biennium Target 2016-2017: attend at least one conference on principles of responsible investment/socially responsible investment during the biennium
	3.2. Annual survey on principles of responsible investment completed and submitted within deadline *Performance measures* 2012-2013: survey completed and submitted Estimate 2014-2015: survey completed and submitted on time Target 2016-2017: survey completed and submitted by the deadline
4. Comprehensive reporting of all performance and risk statistics of the Fund, with effective collaboration from the independent master record keeper, Private-I, Risk Metrics and MSCI	4.1. Quarterly reports reviewed by the Investments Committee, with no negative feedback received *Performance measures* 2012-2013: all quarterly comprehensive reports created by the risk group in the risk and performance dashboard is reviewed by the Investments Committee, discussed and reflected in the minutes Estimate 2014-2015: comprehensive risk and performance dashboard for each Investments Committee meeting completed and reviewed, with positive feedback Target 2016-2017: comprehensive risk and performance dashboard submitted for each Investments Committee meeting
	4.2. Weekly, monthly and quarterly reports published on the website *Performance measures* 2012-2013: all reports generated on time and published on the website Estimate 2014-2015: reports prepared regularly and distributed through other means during the redesign of the Investment Management Division website

Target 2016-2017: reports published regularly on the website

4.3. Regular performance and risk management updates posted on the Investment Management Division website; monthly website usage statistics produced

Performance measures

2012-2013: all risk and performance updates posted on the website

Estimate 2014-2015: all risk and performance report prepared and distributed through other means during the redesign of the Investment Management Division website

Target 2016-2017: reports published on the website

External factors

151. The Risk and Compliance Section is expected to achieve its objective and accomplishments on the assumption that all external parties will be supportive of the efforts of, and will extend full cooperation to, the Section. Other external factors include:

(a) More volatile equities markets;

(b) A more volatile currencies market with large swings, requiring extensive quantitative analysis capacity for the use of index-linked tools to offset risks;

(c) More credit risk from sovereign countries;

(d) Operating in inflationary and/or deflationary environments simultaneously in various geographies;

(e) More international trade barriers;

(f) Changes in benchmarks if there are shifts in macroeconomic trends;

(g) Sudden underfunding of risks due to depreciation in the base currency (United States dollar), causing funds to reach historical highs, while being potentially underfunded as use of the two-track feature increases and as liabilities increase in other currencies;

(h) Run on commodities;

(i) High unemployment becomes the "new normal" on a sustained basis in developing economies;

(j) Sovereign countries default on their loans.

Outputs

152. During the biennium 2016-2017, the following outputs will be delivered:

(a) The maintenance of the risk management manual, the compliance policy and corresponding manual and policies concerning ethics and personal securities, gifts and hospitality;

(b) The completion of quarterly compliance reviews of the Fund's investment operations to ensure the effective management of the Fund's compliance risks;

(c) The administration of certification of acknowledgement, trade order pre-clearances, report of personal securities, hospitality log and mandatory leave;

(d) The organization of training programmes pertaining to investment compliance and the code of ethics (total of 2 on-site division-wide programmes);

(e) Coordination for full compliance with the annual United Nations financial disclosure programme;

(f) The preparation of periodic reports to the Audit Committee of the Pension Board (total of 8 presentations);

(g) Acting as the focal point for planned internal and external audits of the Board of Auditors and the Office of Internal Oversight Services and for queries from the Ethics Office.

Table 29
Resource requirements

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
Post	2 176.5	2 392.0	8	8
Non-post	502.4	646.9	–	–
Total	**2 678.9**	**3 038.9**	**8**	**8**

153. The amount of $3,038,900 provides for eight posts (1 D-1, 3 P-4, 1 P-3, 2 General Service (Principal level) and 1 General Service (Other level)) and non-post resources of $646,900. The increase in post resources of $215,500 reflects the delayed impact of the one new P-3 post approved in 2014-2015. The increase in non-post resources of $144,500 is the result of increases in consultants ($45,000) and other staff costs ($208,400), offset in part by decreases in travel ($84,400) and contractual services ($24,500).

Operations and Information Systems Section

Resource requirements (before recosting): $40,404,800

154. The Operations and Information Systems Section is led by the Chief Operating Officer. The creation of that post was approved by the General Assembly as part of the Fund's 2014-2015 budget to better support the Fund's investment programmes over the long term. Under the leadership of the Chief Operating Officer, the Section is responsible for post-trade investment operations, accounting and reconciliation and the financial reporting of all investment transactions and related activities of the Fund. It is also responsible for matching and settling all investment trades and foreign-exchange transactions in a timely and accurate manner, as well as employing industry-standard solutions for straight-through and exception

processing. In addition, it ensures that all investment activities, such as trades, foreign-exchange transactions and income collection, maturities, tax collection and corporate actions, are properly recorded in accordance with IPSAS, which was adopted by the Fund for the preparation of financial statements, complete with adequate internal controls and an audit trail. Furthermore, the Operations team is responsible for the production of daily cash projections, enabling the Investments Section to manage cash for all of the currencies utilized by the Division for investment purposes. The Operations and Information Systems Section works closely with the Investment Officers (front office) and the brokers to match trade details and resolve issues prior to settlement. It also works closely with the custodians for trade and foreign-exchange settlements; the investigation of interest claims on failed trades; income collection; maturities; and tax collection and corporate actions, and with the independent master record keeper for the daily reconciliation of cash and holdings, the fair market valuation of the Fund's investments and the monthly IPSAS general ledger feed. Thereafter, the Operations staff prepares the annual financial information and related disclosures for the investments of the Fund for consolidation and review by the Fund's Chief Financial Officer for the Fund's annual financial statements. The Operations and information technology staff of the Section work closely to implement more efficient processes, ensure internal controls and enhance the various computerized investment activities of the Division, while minimizing manual intervention.

155. The Section is also responsible for the information and communications technology strategy of the Division, which is aimed at implementing best-in-class investment applications, equipping portfolio and risk managers with rapid access to the actionable financial data needed to implement effective investment models and make effective decisions to accomplish the investment target while maintaining the investment criteria of profitability, liquidity, convertibility and safety.

156. The modernization of the business applications will facilitate the effective management of growth and the further diversification of invested assets. Modern applications will reduce investment operational risks by: (a) facilitating the secure and efficient management of, and allowing for a significant increase in, the volume of transactions; (b) providing a clear audit trail with respect to all trade and transaction data; (c) supporting exception-based processing; and (d) supporting investment reports in accordance with industry standards such as IPSAS and the Global Investment Performance Standards.

157. Operations services for 2016-2017 include, but are not limited to, the following: (a) strengthening the skill sets and professional expertise of accounting staff in order to keep abreast with new IPSAS standards affecting the investments of the Fund and to avoid any potential financial reporting errors; (b) continuing the efforts to obtain tax relief at source with regard to the investments of the Fund, particularly in countries in which no current procedures and tax rulings are in place; (c) undertaking the procurement of a single global custodian/master record keeper, including a shadow contract with another to replace the current arrangement of two global custodians and an independent master record-keeper model; and (d) undertaking the procurement of an investment operations, accounting and reconciliation system or systems.

158. Information systems services for 2016-2017 include, but are not limited to: (a) completing the implementation of the Bloomberg AIM trade order management

system; (b) reorganizing the infrastructure of the Investment Management Division, further leveraging the services of the International Computing Centre; and (c) participating in the Division's requests for proposal, such as that for the back-office operation and portfolio accounting.

Table 30

Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To fully support all the trading and related investment activities of the Fund, and to provide efficient and suitable technology to fully enable and support mission-critical Investment Management Division businesses functions and achieve operational efficiencies

Expected accomplishments	Indicators of achievement
1. Increased capacity, efficiency and effectiveness in processing trades and other related investment activities.	1.1. Reduced number of investment transactions requiring manual intervention
	Performance measures
	2012-2013: Out of 5,608 investment transactions, 5,221 (93 per cent) required manual intervention
	Estimate 2014-2015: 2014 actual: out of 3,268 investment transactions, 2,838 (85 per cent) required manual intervention; 2015 estimate: out of 3,568 estimated investment transactions, 2,673 (67 per cent) will require manual intervention
	Target 2016-2017: out of 7,612 estimated investment transactions, 5,306 (58 per cent) will require manual intervention
	1.2. Reduced number of compensation claims due to failed trades
	Performance measures
	2012-2013: 2
	Estimate 2014-2015: 2014 actual: 0; 2015 estimate: 1
	Target 2016-2017: 1
2. Timely and accurate processing of investment transactions	2.1. Reduced number of exceptions under cash and holdings/positions aged over 2 days
	Performance measures
	2012-2013: out of 1,576 exceptions, 7 (0.4 per cent) escalated and further investigated over 2 days
	Estimate 2014-2015: 2014 actual: out of 1,889 exceptions, 7 (0.4 per cent) escalated and further investigated over 2 days; 2015 estimate: out of 1,900 estimated exceptions, 6 (0.3 per cent) will be escalated and further investigated over 2 days

Target 2016-2017: out of 4,100 estimated exceptions, 10 (0.2 per cent) will be escalated and further investigated over 2 days

2.2. Reduced number of delayed cash activity and projection reports submitted

Performance measures

2012-2013: 61 (12 per cent) out of 502 reports delayed

Estimate 2014-2015: 2014 actual: 10 (4 per cent) out of 251 reports delayed; 2015 estimate: 10 (4 per cent) out of 251 reports will be delayed

Target 2016-2017: 15 (3 per cent) out of 502 reports will be delayed

2.3. Reduced number of foreign exchange transactions and capital calls for private equity and real estate funds processed beyond cut-off time

Performance measures

2012-2013: 2

Estimate 2014-2015: 2014 actual: 0; 2015 estimate: 1

Target 2016-2017: 1

2.4. Reconciliation of custody bank accounts within 30 days after month's end

Performance measures

2012-2013: Annual reconciliation done in 2012; 6 out of 12 monthly bank reconciliations completed on time in 2013

Estimate 2014-2015: 4 out of 12 monthly bank reconciliations completed on time in 2014; all monthly reconciliations expected to be completed on time in 2015

Target 2016-2017: all monthly bank reconciliations expected to be completed on time

3. Improved integrity of financial data and reporting

3.1. Unqualified audit opinion from the Board of Auditors on the Fund's financial statements

Performance measures

2012-2013: unqualified audit opinion

Estimate 2014-2015: unqualified audit opinion

Target 2016-2017: unqualified audit opinion

	3.2. No significant adverse audit findings related to the Fund's investment operations *Performance measures* 2012-2013: out of 10 audit observations addressed to Investment Management Division Operations, none resulted in significant adverse audit findings Estimate 2014-2015: no significant adverse audit findings Target 2016-2017: no significant adverse audit findings
4. Improved Investment Management Division data management, security and governance	4.1. Investment Management Division data are more secure; no significant adverse audit findings related to Investment Management Division data security *Performance measures* 2012-2013: no significant critical findings Estimate 2014-2015: no significant critical findings Target 2016-2017: no significant critical findings
	4.2. Accurate reporting; no significant delays or inaccuracies due to data readiness and quality reported *Performance measures* 2012-2013: no delays Estimate 2014-2015: no delays Target 2016-2017: no delays
	4.3. No significant adverse audit finding related to data quality and compliance *Performance measures* 2012-2013: no significant critical findings Estimate 2014-2015: no significant critical/adverse findings Target 2016-2017: no significant critical/adverse findings
5. Efficient and resilient business systems	5.1. Investment Management Division operational imperatives and all system support indicators, as described in the Division's service level agreement with end users, are met *Performance measures* 2012-2013: not applicable Estimate 2014-2015: 75 per cent Target 2016-2017: 80 per cent

	5.2. No significant open issues in the Fund's quarterly help desk reports *Performance measures* 2012-2013: not applicable Estimate 2014-2015: no significant issues Target 2016-2017: no significant issues
	5.3. No significant issues raised during the biannual business continuity tests *Performance measures* 2012-2013: no significant issues Estimate 2014-2015: no significant issues Target 2016-2017: no significant issues
	5.4. Number of requests for proposal that have been completed *Performance measures* 2012-2013: 3 Estimate 2014-2015: 2 Target 2016-2017: 2
6. Development and implementation of Investment Management Division information technology initiatives	6.1. Number of business systems implemented *Performance measures* 2012-2013: 4 Estimate 2014-2015: 4 Target 2016-2017: 4

External factors

159. The Operations and Information Systems Section is expected to achieve its objectives on the following assumptions:

(a) The timely procurement, contract negotiations and successful implementation of Bloomberg AIM (Asset and Investment Manager) system, which will replace the Charles River trade order management system and will provide a managed integrated solution covering the entire trade life cycle (front to back) for equities and fixed-income securities;

(b) The successful completion of a target operating model for a more efficient, effective, automated and integrated investment operations, reconciliation and accounting solution covering all asset classes and related transactions;

(c) The successful transition from multiple global custodians and independent master record keeper to one global custodian/master record keeper and a shadow contract with another bank following timely procurement procedures and contract negotiations;

(d) The procurement and the legal process for requested services/products are completed within the expected time frame;

(e) Stakeholders fulfil their responsibilities and extend their full cooperation in attaining the objectives of the information and communications technology strategy of the Investment Management Division to facilitate the Division's business;

(f) The services provided by the International Computing Centre are timely and of high quality.

Outputs

160. During the biennium 2016-2017, the following outputs will be delivered:

(a) Operations:

(i) The timely and straight-through processing of the majority of equities and fixed-income securities (from trade execution to trade matching and settlement) without manual intervention;

(ii) More automated and/or efficient processing of foreign exchange, real assets, alternative and other investments with minimal manual intervention;

(iii) The automated reconciliation of securities/positions/holdings and cash, including income (dividends, interest and cash distributions), maturities and corporate actions, on a daily exception basis;

(iv) A more accurate daily cash projection report that gives rise to fewer reconciliation issues;

(v) All assets are transferred and accounted for and re-registered with the new global custodian/master record keeper, and there is satisfactory performance in the delivery of custodial and master record-keeping reports and services;

(vi) The timely review and reconciliation of accounts encompassing all asset classes;

(vii) The timely preparation and delivery of financial information and disclosures for consolidation with the Fund's financial statements;

(b) Information services:

(i) Mission-critical systems of the Investment Management Division are implemented and supported;

(ii) Requests for proposal are initiated and/or completed;

(iii) Exception-based processing of investment transactions is achieved and programme and basket-trading supported;

(iv) Trade order management, operations, accounting, reconciliation and interbank messaging (SWIFT) systems are supported;

(v) Investment processes are documented;

(vi) Standardization and streamlining of business processes are facilitated;

(vii) Compliance system is supported, and compliance monitoring is facilitated;

(viii) Systems supporting the investment decision-making process are enabled;

(ix) Automatic data feeds are enabled;

(x) Data validation and reconciliation are supported;

(xi) The Division's information and communications technology infrastructure is strengthened;

(xii) Security policies and disaster recovery are implemented and supported;

(xiii) Business continuity is enabled.

Table 31
Resource requirements

	Resources (thousands of United States dollars)		Posts	
Category	2014-2015	2016-2017 (before recosting)	2014-2015	2016-2017
Post	5 644.9	5 637.2	23	20
Non-post	29 334.7	34 767.5	–	–
Total	**34 979.6**	**40 404.8**	**23**	**20**

161. The amount of $40,404,800 provides for 20 posts (1 D-1, 2 P-5, 5 P-4, 3 P-3, 1 P-2, 4 General Service (Principal level) and 4 General Service (Other level)) and non-post resources of $34,767,500. The decrease in post resources of $7,700 is the net effect of the proposal to reclassify one General Service (Other level) post as a P-2 post, the delayed impact of five new posts approved in 2014-2015 (1 D-1, 1 P-4, 2 P-3 and 1 General Service (Principal level)) ($795,300) and the outward redeployment of three P-3 posts (2 to the Investments Section and 1 to the Office of the Representative of the Secretary-General). The increase in non-post resources of $5,432,800 is the net effect of increases in contractual services ($5,530,300), other staff costs ($91,600) and supplies, materials, furniture and equipment ($149,500), offset slightly by reductions in operating expenses ($325,900), travel ($5,400) and consultants ($7,300).

Administrative support

Resource requirements (before recosting): $6,974,500

Table 32
Financial resource requirements

	Resources (thousands of United States dollars)		Posts	
Category	2014-2015	2016-2017 (before recosting)	2014-2015	2016-2017
Non-post	6 492.5	6 974.5	–	–
Total	**6 492.5**	**6 974.5**	**–**	**–**

162. The amount of $6,974,500, representing an increase of $482,000, provides for non-post resources for the Division as a whole. The increase is attributable primarily to increased rental and premises costs ($568,000), offset slightly by decreases under furniture and equipment of $86,000.

D. Audit costs

Resources requested (before recosting): $2,893,500

163. The distribution of resources is shown in table 33.

Table 33
Resource requirements

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
External audit	774.7	786.4	–	–
Internal audit	1 769.2	2 107.1	–	–
Total	**2 543.9**	**2 893.5**	**–**	**–**

164. The amount of $2,893,500 covers the estimated requirements for external audit ($786,400), as requested by the Board of Auditors, and those for internal audit ($2,107,100), as requested by the Office of Internal Oversight Services.

1. External audit

Resource requirements (before recosting): $786,400

165. Provision is made in the amount of $786,400 to cover the costs associated with the Board of Auditors and apportioned to the Fund by the secretariat of the Board of Auditors.

2. Internal audit

Resource requirements (before recosting): $2,107,100

166. The amount of $2,107,100, representing an increase of $337,800, provides for the continuation of five general temporary assistance positions (1 P-5, 2 P-4, 1 P-3 and 1 General Service (Other level)) for 24 months; the addition of one temporary assistance position (P-4) for 24 months; and other non-post resources, comprising training, travel of staff, contractual services, operating expenses, communications, and supplies and materials.

E. Board expenses

Resources requested (before recosting): $944,200

Table 34
Resource requirements

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
Board expenses	408.8	944.2	–	–
Total	**408.8**	**944.2**	**–**	**–**

167. The amount of $944,200, representing an increase of $535,400, covers the estimated requirements for Board expenses and comprises: travel costs of the Chair to attend the meetings of the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee; travel and actuarial costs of the Board's advisory committees (the Committee of Actuaries, the Audit Committee and the Assets and Liabilities Monitoring Committee); administrative expenses of the sixty-third and sixty-fourth sessions, as well as the travel of representatives of the Federation of Associations of Former International Civil Servants to Pension Board meetings. The increase is attributable mainly to the provision included for travel expenses of the Board's advisory committees (the Audit Committee and the Committee of Actuaries) and the travel of Federation representatives, which were budgeted under the Office of the Chief Executive Officer in previous bienniums. As these are advisory committees to the Board, it is more appropriate to include the provision under Board expenses.

IV. Emergency Fund

168. The General Assembly, in section VII of its resolution 68/247 A, authorized the United Nations Joint Staff Pension Board to supplement the voluntary contributions to the Emergency Fund for the biennium 2014-2015 by an amount not exceeding $200,000.

169. As agreed during the 2015 session of the Pension Board, the Board recommends to the General Assembly that it authorize the Fund to supplement contributions to the Emergency Fund for the biennium 2016-2017 by an amount not exceeding $225,000.

V. Action to be taken by the General Assembly

170. **The Pension Board recommends that the General Assembly approve:**

(a) **A reduction in appropriations for 2014-2015 amounting to $1,115,700. The revised appropriations for the biennium 2014-2015 would then amount to $176,550,800, divided into administrative costs ($93,768,500), investment costs ($79,898,500), audit costs ($2,475,000) and Board expenses ($408,800). Of this amount, $154,954,100 would be apportioned to the Fund**

and $21,596,700 would be directly chargeable to the United Nations under the cost-sharing arrangement;

(b) **A revised estimate for the biennium 2014-2015 amounting to $148,100 for extrabudgetary resources;**

(c) **The Pension Fund estimate for the biennium 2016-2017 amounting to $180,714,200, comprising administrative costs ($91,666,500), investment costs ($85,180,200), audit costs ($2,902,600) and Pension Board expenses ($964,900). Of this amount, $158,464,400 would be apportioned to the Fund and $22,249,800 to the United Nations under the cost-sharing arrangement;**

(d) **Resources for the biennium 2016-2017 amounting to $164,700 for extrabudgetary costs funded by a number of member organizations;**

(e) **An amount not exceeding $225,000 to supplement contributions to the Emergency Fund.**

VI. Summary of follow-up action taken to implement requests and recommendations of the Advisory Committee on Administrative and Budgetary Questions*

(A/69/528)

Request/recommendation	*Action taken to implement request/recommendation*
(a) The Advisory Committee takes note of the information provided on the key differences between the administration of pension systems and the administration of health insurance, as well as the conclusions of the Fund's consulting actuary. Similarly, the Committee takes note of the Pension Board's opinions on the after-service health insurance proposal in view of the conclusions of the consulting actuary. The Committee nevertheless reiterates its view that the funding and administration of after-service health insurance benefits is an issue of system-wide concern that would be best resolved through a system-wide approach (A/68/550, para. 13) in which the Pension Fund could play a key role. In this regard, the Committee concurs with the conclusion of the consulting actuary that the Fund could provide a cost-effective solution to the investment of after-service health insurance assets if a proper structure were in place (A/69/9, para. 31). The Committee is of the view that the proposal for a system-wide approach to after-service health insurance merits further study and consultation among all organizations of the United Nations system. In this regard, the Committee welcomes the initiative taken by the High-level Committee on Management to establish a working group on after-service health insurance and looks forward to receiving information on its findings in the context of the report of the Secretary-General to be submitted to the General Assembly at its seventieth session pursuant to resolution 68/244 (para. 10).	The Fund participates in the working group established by the Finance and Budget Network of the High-level Committee on Management to consider a system-wide approach for the funding and management of after-service health insurance benefits. The working group has requested PricewaterhouseCoopers to conduct a system-wide study. The findings are expected to be included in the Secretary-General's report to be submitted to the General Assembly at its seventieth session pursuant to resolution 68/244. In July 2015, the Chair of the working group of the High-level Committee on Management informed the Pension Board that the working group had concluded that there were no scenarios in which the Pension Fund could efficiently use its existing operational capabilities and experience to administer any after-service health insurance business process. The Pension Board's Assets and Liabilities Monitoring Committee has requested the Chief Executive Officer to keep the Board informed on this matter.

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* The action taken to implement the requests and recommendations of the Board of Auditors for the year ended 31 December 2013 is set out in annex I to the report of the Board of Auditors on the United Nations Joint Staff Pension Fund for the year ended 31 December 2014 (see annex VI to the present report).

Request/recommendation	*Action taken to implement request/recommendation*
(b) The Advisory Committee expects that the approved posts will be filled expeditiously and looks forward to receiving information on the reduction in costs for non-discretionary advisory fees as a result of the additional in-house capacity in the Investment Management Division in future reports submitted to the General Assembly (para. 15).	Of the 20 new posts, 9 have been filled, 8 are under recruitment, 1 is being redeployed and 2 are under review. The fixed-income adviser, BNP Paribas, was terminated on 31 January 2015, giving the Investment Management Division a cost savings of $1.7 million per year. In addition, the Division decided to eliminate the services for European and Asia-Pacific equity and initiated contract negotiations to narrow the scope of services provided by BNP Paribas and Nikko Asset Management, by separating those services from global emerging markets. The Division will include information on the status of the non-discretionary adviser in its future reports on the investments.
(c) The Advisory Committee welcomes the appointment of a full-time representative of the Secretary-General for the investment of the assets of the Pension Fund and trusts that the investment operations of the Fund will benefit from the leadership of a full-time incumbent of the post. The Committee recalls the request of the General Assembly in its resolution 68/247 B that the Secretary-General provide information on the performance of his representative and looks forward to receiving this information in future reports on the investments of the Fund (para. 18).	The new Representative of the Secretary-General took up the post in October 2014.
(d) Given the specialized nature of the Pension Fund, the Advisory Committee acknowledges the need for a review of the Fund's human resources framework in order to ensure that it is aligned with the recent human resources policy changes in the Secretariat and to address specific constraints faced in following the human resources policies and procedures of the Secretariat. In that regard, the Committee recalls its previous comments (A/66/266, para. 55, and A/68/7/Add.3, para. 12) and calls for the expeditious conclusion of the ongoing discussions regarding the revision of the memorandum of understanding between the Office of Human Resources Management and the Pension Fund. While the Committee understands that the review is an internal management exercise, it is of the view that some of the specific requirements proposed by the Pension Fund include exceptions to United Nations human resources policies and procedures about which the General Assembly should be informed through the Pension Board (para. 26).	A draft memorandum of understanding was prepared by the Office of Human Resources Management and cleared by the Office of Legal Affairs. In June 2015, all parties (the Under-Secretary-General for Management, the Assistant Secretary-General for Human Resources Management, the Chief Executive Officer and the Representative of the Secretary-General) agreed. On 1 July 2015, the Office of the Under-Secretary-General for Management informed the Chief Executive Officer and the Representative of the Secretary-General that the Under-Secretary-General had decided to postpone the updating of the memorandum of understanding. In the interim, the existing memorandum of understanding is still in place, the exercise of which would be respected by the Office of Human Resources Management were the Pension Fund required to use it.

Request recommendation	*Action taken to implement request recommendation*
(e) The Advisory Committee takes note of the Pension Board's views on the issue of withdrawal settlements and contributions made by the member organizations on behalf of participants who separate with less than five years of contributory service. The Committee considers that the issue merits further review and expects that the Fund will continue to track and report on those contributions as requested by the General Assembly in its resolution 68/247 A (para. 30).	Information on withdrawal settlements paid to participants who separate with less than five years of contributory service was included in the Pension Fund's financial statements for the year ended 31 December 2013. The Fund will continue to track and report on those contributions annually in its financial statements. It is recalled that the Fund is a defined-benefit pension scheme, which is a collective arrangement that pools contributions, assets and risks in order to meet its benefit obligations.
(f) The Advisory Committee highlights the value of learning and applying best practices in pension fund governance from peer institutions in the industry. In this regard, the Committee encourages the Pension Board to keep the proposal for the study of governance structures of other pension funds under consideration (para. 31).	The Pension Board's Assets and Liabilities Monitoring Committee agreed to review best practices in investment monitoring and oversight within the current structure of the Fund. The Committee will keep this item on its agenda for its forthcoming meetings.
(g) The Advisory Committee takes note of this initiative and looks forward to receiving information on the new financial regulations and rules for the Pension Fund in future reports submitted to the General Assembly (para. 32).	The General Assembly, in its resolution 69/113, approved the amendment to article 4 of the regulations of the Pension Fund in order to establish clear authority and reference to the financial rules of the Fund. The draft financial rules will be submitted to the Pension Board in July 2016, since the Office of Legal Affairs and the Fund are working to streamline the draft to more closely meet the specific requirements of the Fund.
(h) The Advisory Committee concurs with the recommendation of the Board of Auditors and stresses the importance of regular performance evaluation for all staff, without exception, in improving overall performance by establishing goals and appraising performance (para. 33).	The Chief Executive Officer has requested all managers to ensure that performance evaluations for all staff, without exception, are completed in a timely manner. For the period 2012-2013, there was an improvement in the performance evaluation completion rate from 54 per cent (as reported by the Board of Auditors in its 2014 report) to 80 per cent as of February 2015. Senior management has emphasized to all managers the need for the timely completion of e-performance evaluations. Periodic reports on the completion of such evaluations are monitored by senior management. As part of its final audit for the year ended 31 December 2014, the Board of Auditors reviewed the improvement in the completion rate with respect to e-performance evaluations of Pension Fund staff members as well as the monitoring mechanisms implemented by the Fund's management, and decided to close the related audit recommendation.

Request recommendation	*Action taken to implement request recommendation*
(i) With particular regard to investment management, the Board of Auditors highlighted the Pension Fund's real estate and alternative investments valued at $1.2 billion and noted the lack of formal policies and procedures for the safeguarding and custody of relevant documents pertaining to those investments. In order to address the issue, the Board recommended that the Investment Management Division formulate a policy for this purpose. The Advisory Committee looks forward to receiving information on measures taken to address this recommendation in future reports submitted to the General Assembly. (para. 35).	To provide flawless maintenance of the documents and information received relating to private equity and real estate funds, Investment Management Division Operations has developed an internal matrix aimed at providing clarity regarding the different types of documents/requests/information received from the funds and the roles and responsibilities of the corresponding Operations staff (e.g., cash desk, middle office, accounting), depending on the nature of the document/request/information received. The Division has started a project in conjunction with its Investments Section to properly archive all relevant documentation related to the private equity and real estate funds. This project is led by the Section, as it is the first receiver of the Fund's legal documents. Selected Operations staff have gained access to the electronic folders (historically restricted to Operations) in which information on funds is archived so that Operations can track archiving progress and access documentation on funds as necessary.

Annex I

Discussions in the United Nations Joint Staff Pension Board on the revised budget estimates for the biennium 2014-2015 and on the budget estimates for the biennium 2016-2017

Revised budget estimates for the biennium 2014-2015

1. The Board approved a reduction in the budget estimates for the biennium 2014-2015 amounting to $1,115,700, compared with the initial appropriation of $177,666,500. The final revised appropriations for the biennium 2014-2015 would then amount to $176,550,800, of which $21,596,700 is chargeable to the United Nations under the cost-sharing arrangement.

Budget estimates for the biennium 2016-2017

2. The budget estimates originally proposed by the Fund for the biennium 2016-2017 provided for expenditures of $188,477,500 (before recosting), compared with a total of $177,666,500 for the biennium 2014-2015. The budget submission was presented for administrative costs ($94,247,400), investment costs ($90,392,500), audit costs ($2,893,500) and Board expenses ($944,200). In addition, the estimates provided for one extrabudgetary post for the processing of after-service health insurance contributions, in the amount of $155,800, and an amount not to exceed $225,000 for the Emergency Fund.

Administrative costs

3. The proposed budget under administrative costs totalled $94,247,400 before recosting, representing an increase of 3.6 per cent compared with the original appropriation for the biennium 2014-2015.

4. The request included 24 proposed additional posts and 5 proposed reclassifications, as set out below.

Section	*Action*	*Post*	*Number of posts*	*Category*
Administration				
Office of the Chief Executive Officer	New post	Senior Programme Officer (strategic planning and coordination)	1	P-5
	New post	Personal Assistant	1	General Service (Other level)
Programme of work				
Operations (New York)	New post	Benefits Officer	2	P-3
	New post	Benefits Assistant	6	General Service (Other level)
Operations (Geneva)	New post	Chief, Client Communications and Liaison	1	P-5
	New post	Benefits Officer	1	P-4
	New post	Finance Officer	1	P-3

Section	*Action*	*Post*	*Number of posts*	*Category*
	New post	IT Support Assistant	1	General Service (Other level)
	Reclassification	Senior Meetings Services Assistant	1	General Service (Other level) as General Service (Principal level)
Financial services	New post	Deputy Chief Financial Officer, Payments Unit	1	P-5
	New post	Senior Accounting Assistant, Payments Unit	1	General Service (Principal level)
	New post	Cashier's Assistant	1	General Service (Other level)
	Reclassification	Chief, Accounts Unit	1	P-4 as P-5
	Reclassification	Chief, Cashier's Unit	1	P-4 as P-5
	Reclassification	Accountant	1	P-3 as P-4
Risk Management and Legal Services Section	New post	Legal Officer (New York)	1	P-3
	New post	Legal Assistant (Geneva)	1	General Service (Other level)
Information Management Systems Service	New post	Chief, Pension Interface Unit	1	P-4
	New post	Data Manager	1	P-4
	New post	ICT Security Officer	1	P-3
Executive Office	New post	Facilities Management Assistant	1	General Service (Other level)
	New post	Travel Assistant	1	General Service (Other level)
	Reclassification	Senior Facilities Management Assistant	1	General Service (Other level) as General Service (Principal level)

Investment costs

5. The proposed budget under investment costs totalled $90,392,500 before recosting, representing an increase of 8.0 per cent compared with the original appropriation for the biennium 2014-2015.

6. The request included five proposed additional posts and two proposed reclassifications, as set out below.

Section	*Action*	*Post*	*Number of posts*	*Category*
Investments				
Office of the Representative of the Secretary-General	New post	Special Adviser	1	P-5
	New post	Senior Legal Officer	1	P-5
	Reclassification	Senior Administrative Assistant	1	General Service (Other level) as General Service (Principal level)
Investments Section	New post	Trade Execution Officer	1	P-3
Risk and Compliance Section	New post	Senior Risk Officer	1	P-5
	New post	Senior Compliance Officer	1	P-5
Operations and Information Systems Section	Reclassification	Associate Accountant	1	General Service (Other level) as P-2

Audit costs

7. The Fund requested a total of $2,893,500 before recosting, to cover external ($786,400) and internal ($2,107,100) audit costs, representing an increase of 13.7 per cent compared with the original appropriation for the biennium 2014-2015.

Board expenses

8. Resources in the amount of $944,200 before recosting were requested to cover the costs of two Board sessions, travel expenses of the Chair and the various committees of the Board, the travel of representatives of the Federation of Associations of Former International Civil Servants to the annual sessions of the Board, and a provision for actuarial services for the Assets and Liabilities Monitoring Committee. This amount represents an increase of 131.0 per cent compared with the original appropriation for the biennium 2014-2015.

Extrabudgetary funding

9. Resources in the amount of $155,800 before recosting were requested for one General Service (Other level) post to be funded by member organizations participating in the after-service health insurance scheme

Emergency Fund

10. An amount not to exceed $225,000 was requested to supplement the Emergency Fund.

Budget working group

11. Comments and recommendations of the budget working group, endorsed by the Board, are set out below.

12. In accordance with the decision made by the Board at its sixty-first session (see A/69/9, para. 392), the budget working group began its work on 15 July 2015.

13. The final composition of the working group was as follows:

Mr. D. Chumakov (United Nations), representing governing bodies

Mr. V. Yossifov (World Intellectual Property Organization), representing governing bodies

Mr. D. Thatchaichawalit (United Nations), representing executive heads

Ms. M. Wilson (International Telecommunication Union), representing executive heads

Ms. P. Geddes (World Meteorological Organization), representing participants

Ms. N. Nagayoshi (United Nations), representing participants

Ms. K. Chestopalov (Federation of Associations of Former International Civil Servants), representing pensioners

Mr. W. Sach (Federation of Associations of Former International Civil Servants), representing pensioners

14. The working group had before it the following documents: revised budget estimates for the biennium 2014-2015 and budget estimates for the biennium 2016-2017 (JSPB/62/R.16 and JSPB/62/R.16/Corr.1 and accompanying supplementary information, as well as JSPB/61/R.48). The working group benefited from valuable interactions with the members of the Fund secretariat and the Investment Management Division.

Performance report for the biennium 2014-2015

15. The working group considered the proposed revised final appropriations for the biennium 2014-2015.

16. The working group noted that the expenditure projection for posts in the Investment Management Division for the remaining months of the biennium was unrealistic, given the actual expenditures incurred to date and the number of vacant posts. It is therefore recommended that the projection be adjusted to reflect a reduction in expenditures for posts by $1 million to result in a final 2014-2015 appropriation for investment posts of $21,095,000. The group recommends the approval of the performance report, as amended.

Budget estimates for the biennium 2016-2017

17. The working group commends the secretariat and the Investment Management Division for the well-prepared documentation and for their efficient and collaborative support in preparing the budget recommendations set out below, and expresses its gratitude to the Chief Executive Officer, the Representative of the Secretary-General and their staffs for being available to discuss and clarify the budget proposal in detail.

18. In its deliberations, the working group also took into account relevant comments made by the Audit Committee, the external and internal auditors, the Investments Committee and the Assets and Liabilities Monitoring Committee.

Recruitment, staffing and general temporary assistance

19. The working group noted that there were 24 vacant posts in the Professional and higher categories as at 15 July 2015 and that 6 of them were posts at the senior levels (P-5 and higher categories). In particular, the posts of Chief Financial Officer, Director of the Investment Management Division, Chief Operating Officer of the Division and Chief Information Officer, which were critical to the operations of the Fund, had been vacant for an extended period of time. The working group recommends that the Board express its regret regarding the delays in filling senior management positions, which could have a negative impact on the operational capacities in both the Fund secretariat and the Division. Special concern was expressed regarding the delays in filling the post of Director of the Division and the non-availability of the revised investment policy statement, which, inter alia, did not allow a full assessment of the added value of the decision to establish the full-time post of Representative of the Secretary-General. It is also recommended in this regard that the proposed budget for 2018-2019 include a thorough review of the investment management structure.

20. The working group also noted with great concern that the Fund was overly reliant on the use of resources under general temporary assistance for its long-term

requirements. Some positions under that budget line had been in existence for more than five years. It is recalled that general temporary assistance is intended for additional support during periods of peak workload as well as for the replacement of staff on maternity leave or prolonged sick leave. The working group recommends that the Pension Board request the Fund to review the current use of general temporary assistance and propose measures in the context of the proposed budget for 2018-2019 to ensure that it is used solely for those purposes, and that related proposals be time-limited.

21. In view of the significant number of posts allocated to the Fund in the 2014-2015 budget, the significant number of vacant posts (as referred to in para. 19 above), the new posts recommended in the 2016-2017 budget and the considerable use of general temporary assistance during the 2014-2015 budget period and recommended for the 2016-2017 budget, the working group recommends that the Pension Board request the Chief Executive Officer and the Representative of the Secretary-General/Investment Management Division to submit a report on the use of these posts and the filling of the vacant positions, as well as on the measures taken to reduce the use of general temporary assistance to ensure that general temporary assistance resources are used for their intended purpose (replacement of staff on maternity leave or prolonged sick leave, or for peak workload periods) to the Pension Board at its sixty-third session, to be held in 2016. With a view to clarity, the report should include an organization chart.

Information technology project management

22. While noting that the temporary posts provided under the IPAS project had been abolished in 2015, the working group expressed concern at the delay in the deployment of IPAS and the continued unexpected changes leading to additional testing and data-cleansing. As a result, there were additional costs related not only to the project itself, but also to the renewal of existing legacy systems. In addition, it was noted that a number of vacant posts in the Fund had been temporarily used to cover the staffing requirements of IPAS.

23. Similar concerns regarding information and communications technology apply to the Investment Management Division. Furthermore, external and internal audit findings have pointed to the Division's lack of a comprehensive information and communications technology strategy and the fact that fragmented systems support the Division's business processes. Division management needs to treat those risks as a matter of highest priority.

24. Accordingly, while the working group recommends the approval, with some adjustments, of the resources proposed in the budget for the biennium 2016-2017 for the enhancement of IPAS and other information technology projects, it is recommended that the Board request the Chief Executive Officer and the Representative of the Secretary-General to include in the budget proposals for the biennium 2018-2019 a clearly defined implementation plan for any information technology projects, including specific information on project governance and management structure, a schedule of project deliverables and implementation and a clear statement of benefits, using appropriate project management methodology.

Resource proposals

Administration

25. In addition to the aforementioned considerations, the working group took into account two priorities presented by the Fund: strengthening the client services of the Fund and continued enhancement of the Fund's operational systems.

Post resources

26. Having reviewed each post, and following dialogue with representatives of the secretariat, the working group proposes the following:

Table 1
New posts and reclassifications

Section	*Post*	*Number*	*Category*
Executive direction and management			
Office of the Chief Executive Officer	Senior Programme Officer (Strategic Planning and Coordination)	1	Reclassification of P-4 as P-5
	Personal Assistant	1	General Service (Other level)
Programme of work			
Operations (New York)	Benefits Officer	2	P-3
	Benefits Assistant	3	General Service (Other level) as at 1 January 2016
	Benefits Assistant	3	General Service (Other level) as at 1 January 2017
Operations (Geneva)	Chief, Client Services and Finance Section	1	P-5
	Benefits Officer	1	P-4
	Finance Officer	1	P-3
Financial services	Deputy Chief Financial Officer	1	Reclassification of P-4 as P-5
	Senior Accounting Assistant, Payments Unit	1	General Service (Principal level)
	Cashier's Assistant	1	General Service (Other level)
Risk Management and Legal Services Section	Legal Officer (New York)	1	P-3
	Legal Assistant (Geneva)	1	General Service (Other level)
	Senior Legal Officer	1	Downward reclassification of P-5 as P-4
Information Management Systems Service	Data Manager	1	P-3
	ICT Security Officer	1	P-3
Executive Office	Facilities Management Assistant	1	General Service (Other level)
	Travel Assistant	1	General Service (Other level)

27. With regard to one of the requested posts in the Information Management Systems Service (Chief, Pension Interface Unit (P-4)), the working group proposes

general temporary assistance funding for 18 months at the P-4 level instead of the establishment of the post.

Non-post resources

Table 2
General temporary assistance positions

Section	*Position*	*Number*	*Category*	*Period*
Executive direction and management				
Office of the Chief Executive Officer	Project manager (Vitech V3 system enhancements project)	1	P-5	18 months
	Programme Officer	1	P-3	12 months
Programme of work				
Operations (New York)	Benefits Assistant, Pension Entitlements Section	3	General Service (Other level)	18 months
	Benefits Assistant, Client Services, Records Management and Distribution Section	2	General Service (Other level)	24 months
	Functional Expert — Benefits and Client Servicing (Vitech V3 system enhancements project)	1	P-4	18 months
Geneva office	Benefits Assistant	2	General Service (Other level)	24 months
	Finance Clerk	1	General Service (Other level)	24 months
	Client Services Clerk	1	General Service (Other level)	24 months
	Administrative Assistant	1	General Service (Other level)	18 months
Financial Services Section	Functional Expert — Contributions Processing and Accounting (Vitech V3 system enhancements project)	1	P-4	18 months
	Accounting Assistant	2	General Service (Other level)	18 months
Risk Management and Legal Services Section	Risk Management Officer	1	P-3	12 months
Programme support				
Information Management Systems Service	Chief, Pension Interface Unit	1	P-4	18 months
	Systems Analyst (Vitech V3 system enhancements project)	1	P-4	18 months
	Programmer	2	P-3	18 months
	Business Intelligence/Knowledge Management Officer	1	P-3	24 months
Executive Office	Administrative Assistant	1	General Service (Other level)	10 months

28. The working group supported all non-post resources subject to the following modifications:

(a) General temporary assistance: adjustments are reflected in table 2. Given the period of time required for recruitment, new positions proposed under this budget line are costed for 18 months;

(b) Financial Services Section: the amount proposed for the Vitech V3 system enhancements project (contractual services) is reduced by $500,000 to $2.5 million;

(c) Information Management Systems Service and Executive Office: the working group proposes a reduction in the total amount proposed for furniture and equipment of 20 per cent (a reduction of $465,400);

(d) Geneva office: the working group recommends a reduction in the proposed increase for hospitality from $4,000 to $2,000.

29. Table 3 summarizes the recommendations on administrative resources. The proposed total of $90,361,400 represents a decrease of $638,900, or 0.7 per cent, compared with the biennium 2014-2015.

Table 3
Total administrative resources
(Thousands of United States dollars, before recosting)

Posts	46 829.9
Other staff costs	7 637.5
Consultants	618.0
Travel	1 005.6
Contractual services	15 213.8
Hospitality	6.1
General operating expenses	16 949.9
Supplies and materials	187.0
Furniture and equipment	1 913.5
Total	**90 361.4**

Investment Management Division

30. While taking note of the intention of the Representative of the Secretary-General to focus on efficiency, the working group was guided in its review by the principle that investment costs should be based on a clear and up-to-date investment policy. Given that such a policy had yet to be finalized, any resources pertaining to alternative investments were not supported.

31. The working group took note of the intention to transfer some information technology services to the International Computing Centre, and also noted the intention to subject those services to competitive bidding in the future.

Post resources

32. Having reviewed each post, and following dialogue with representatives of the Investment Management Division, the working group proposes the following:

Table 4
New posts and reclassifications

Section	*Post*	*Number*	*Category*
Executive direction and management			
Office of the Representative of the Secretary-General	Senior Legal Officer	1	Reclassification of P-4 as P-5
	Senior Administrative Assistant	1	Reclassification of General Service (Other level) as General Service (Principal level)
Programme of work			
Investments Section	Trade Execution Officer	1	P-3
Operations and Information Systems Section	Associate Accountant	1	Reclassification of General Service (Other level) as P-2

33. With regard to two of the requested posts in the Risk and Compliance Section (2 P-5), the working group proposes general temporary assistance funding for 18 months at the P-4 level instead of the establishment of the posts.

Non-post resources

Table 5
General temporary assistance positions

Section	*Position*	*Number*	*Category*	*Period*
Executive direction and management				
Office of the Representative of the Secretary-General	Legal Officer (located in the Office of Legal Affairs)	1	P-4	24 months
	Procurement Officer (located in the Procurement Division)	1	P-4	18 months
	Administrative Assistant	1	General Service (Other level)	24 months
Programme of work				
Investments Section	Quantitative Analyst	1	P-2	12 months
Risk and Compliance Section	Risk/Compliance Officer	1	P-4	18 months
	Compliance Assistant	1	General Service (Principal level)	12 months
Operations and Information Systems Section	Associate Accountant, Private Funds	1	P-2	12 months
	Associate Finance Officer, Back Office	1	P-2	24 months
	Finance Assistant, Back Office	1	General Service (Other level)	24 months
	Senior Finance Assistant, Middle Office	1	General Service (Principal level)	24 months
	Finance Assistant, Middle Office	1	General Service (Other level)	12 months
	Project Manager	1	P-4	18 months
	General (to cover peak workload periods)		P-3	12 months

34. The working group supported all non-post resources subject to the following modifications:

(a) General temporary assistance: adjustments are reflected in table 5. Given the amount of time required for recruitment, new positions proposed under this budget line are costed for 18 months;

(b) Executive direction and management: the working group supports resources at the maintenance level for the travel of representatives (reduction of $13,500); reduction in hospitality to growth of 10 per cent compared with the previous biennium (reduction of $8,000);

(c) Investments Section: reduction of $4,360,000 for contractual services ($2.2 million for a General Investment Consultant and $2,160,000 for a Hedge Fund Adviser); reduction of $2,400 for the travel of staff to keep resources at the maintenance level.

35. Table 6 summarizes the recommendations regarding Investment Management Division resources. The proposed total of $83,856,400 represents an increase of $142,900, or 0.2 per cent, compared with the biennium 2014-2015.

Table 6

Total investment resources

(Thousands of United States dollars, before recosting)

Posts	25 975.9
Other staff costs	3 443.9
Consultants	1 090.0
Travel	2 113.2
Contractual services	42 700.1
Hospitality	27.0
General operating expenses	7 318.5
Supplies and materials	248.0
Furniture and equipment	940.0
Total	**83 856.4**

36. Table 7 summarizes the total post requirements as recommended by the budget working group.

Table 7
Human resources requirements

	Established posts		*Temporary posts*		*Extrabudgetary posts*		*Total*	
Category	*2014-2015*	*2016-2017*	*2014-2015*	*2016-2017*	*2014-2015*	*2016-2017*	*2014-2015*	*2016-2017*
Administrative								
Professional and higher								
Assistant Secretary-General	1	1	–	–	–	–	1	1
D-2	1	1	–	–	–	–	1	1
D-1	5	5	–	–	–	–	5	5
P-5	9	11	1	–	–	–	10	11
P-4	20	20	4	–	–	–	24	20
P-3	25	31	2	–	–	–	27	31
P-2/1	1	1	–	–	–	–	1	1
Subtotal	**62**	**70**	**7**	**–**	**–**	**–**	**69**	**70**
General Service								
Principal level	10	11	–	–	–	–	10	11
Other level	100	111	3	–	1	1	104	112
Subtotal	**110**	**122**	**3**	**–**	**1**	**1**	**114**	**123**
Total administrative	**172**	**192**	**10**	**–**	**1**	**1**	**183**	**193**
Investment								
Professional and higher								
Assistant Secretary-General	1	1	–	–	–	–	1	1
D-2	1	1	–	–	–	–	1	1
D-1	4	4	–	–	–	–	4	4
P-5	10	11	–	–	–	–	10	11
P-4	23	22	–	–	–	–	23	22
P-3	17	18	–	–	–	–	17	18
P-2	–	1	–	–	–	–	–	1
Subtotal	**56**	**58**	**–**	**–**	**–**	**–**	**56**	**58**
General Service								
Principal level	13	14	–	–	–	–	13	14
Other level	16	14	–	–	–	–	16	14
Subtotal	**29**	**28**	**–**	**–**	**–**	**–**	**29**	**28**
Total investment	**85**	**86**	**–**	**–**	**–**	**–**	**85**	**86**
Total Pension Fund	**257**	**278**	**10**	**–**	**1**[a]	**1**[a]	**268**	**279**

[a] One extrabudgetary General Service (Other level) post funded by member organizations.

Audit costs

37. The working group supports the requested audit costs.

38. The Pension Board expects that future requests for resources by the Board of Auditors and the Office of Internal Oversight Services will be supported by detailed explanations and adequate justification.

Pension Board and other expenses

39. The working group supports the requested Pension Board costs.

40. The Pension Board expects the Chief Executive Officer and the Representative of the Secretary-General to provide adequate resources (financial and administrative support) to ensure the proper and efficient functioning of the various committees and bodies of the Pension Board (for example, the Assets and Liabilities Monitoring Committee, the Audit Committee, the budget working group, the Committee of Actuaries and the Contact Group). Furthermore, the Chief Executive Officer and the Representative of the Secretary-General should provide full, unlimited and timely access to all information needed and requested by the various committees and bodies of the Pension Board.

Extrabudgetary funding

41. The working group supported the resources for one General Service (Other level) staff member to be funded by member organizations participating in the after-service health insurance scheme.

Discussion in the Board

42. Following the introduction of the agenda item by the Chief Executive Officer, the Acting Chair of the budget working group introduced the report of the working group and summarized the main decisions and views taken by the group, noting that the adjustments made by the group had resulted in an essentially zero-growth budget, with only a 0.2 per cent increase during the biennium 2014-2015. It was also noted that the working group had made a special effort to support the successful stabilization of IPAS and the strengthening of client services and operations. In addition, a reference was made to the high number of currently vacant posts, with it being noted that although a large proportion of the posts were temporarily filled, some of them were not being utilized for their originally intended purpose. It was requested that the Fund secretariat and the Investment Management Division provide organization charts together with the next budget document in advance of the meeting of the budget working group to facilitate the review process. The Acting Chair thanked the Chair of the budget working group for his leadership and expressed thanks to the Fund's Budget Officer for the support provided.

43. The Board expressed its support for the proposal of the budget working group and thanked the members of the working group for their efforts, noting their early arrival prior to the start of the Board session and their engagement in fruitful discussions. The Board also thanked the Fund secretariat and the Investment Management Division for having provided extensive budget documentation.

44. The executive heads group noted the length of the budget documents and suggested that the presentation of future budget documents be streamlined and

significantly shortened. In addition, the executive heads group noted that the Fund's operations and core business of client servicing had not been given priority in budgets for previous years and welcomed the emphasis placed on client services in the 2016-2017 budget as refined by the working group. The executive heads group indicated that it wished to see the full implementation of IPAS, expressing appreciation for the fact that IPAS implementation had been carried out in a controlled and prudent manner, while noting that upcoming retirees might be faced with temporary limited delays in the processing of their benefits during the period of cutover to the new system. It was hoped that client-servicing resources would be implemented as quickly as possible and that an emphasis would continue to be placed on enhancing client servicing once the systems were in place. The group also encouraged the Investment Management Division to fill its vacant posts and to effectively manage resources.

45. The governing bodies group expressed its serious concern regarding information and communications technology in the Investment Management Division, commenting that a strategic information and communications technology vision for the Division was lacking and that a comprehensive plan needed to be developed as soon as possible and presented to the Audit Committee.

46. The participants group endorsed the consensus on the report of the budget working group and expressed thanks and appreciation to the contribution of the Acting Chair of the working group.

47. A member of the participants group, speaking in his own capacity, expressed appreciation for the fact that the budget addressed the needs of client services, but requested assurance that the posts approved would be used for the purposes for which they were budgeted and noted his concern at the number of currently vacant posts.

48. A member of the budget working group, speaking in his personal capacity, expressed thanks to the other members of the working group, as well as the Fund secretariat and the Investment Management Division, and special thanks to the Budget Officer of the Fund, who was the Secretary of the working group, for the very professional, dedicated and efficient support provided, which had contributed to the success of the working group. It was also requested that resources for general temporary assistance included in future budget proposals be reduced from their current levels and that they be used only for coverage during peak workload periods, maternity leave or extended sick leave, not as a replacement for posts.

49. A Board member noted that, in his view, a greater focus on outcomes and accomplishments would provide management with the ability to use resources in the most efficient manner to achieve results, and that future budget proposals could move further in the direction of other United Nations agencies that utilized an approach more focused on outcomes. This would also improve efficiency, as it would avoid micromanagement by the Board. Further discussions on this intervention included the observation that the 2016-2017 budget proposal was based on the strategic framework that had been approved by the Pension Board at its sixty-first session, and that the budget followed the results-based-budgeting methodology.

50. The representative of the Federation of Associations of Former International Civil Servants endorsed the statements previously made regarding the efforts of the budget working group, noting the good cooperation and the addition of new posts

without a real increase in the total proposed budget. The representative indicated that the Federation would welcome a rationalization of temporary positions in future budget proposals, noting that general temporary assistance should not be used to fund what were, in essence, long-term functions. It was also noted that there should be a closer alignment of post resources with the purposes for which they had been approved. The considerable length of the budget documentation was noted, and it was suggested that future budget proposals be more succinct and submitted as far in advance as possible.

51. A question was raised by a Board member as to whether the introduction of IPAS would reduce the need for the after-service health insurance extrabudgetary position that was cost-shared between member organizations participating in the after-service health insurance arrangement. In response, the secretariat noted that the position would still be required for 2016-2017, but that there might be eventual economies after the IPAS stabilization period.

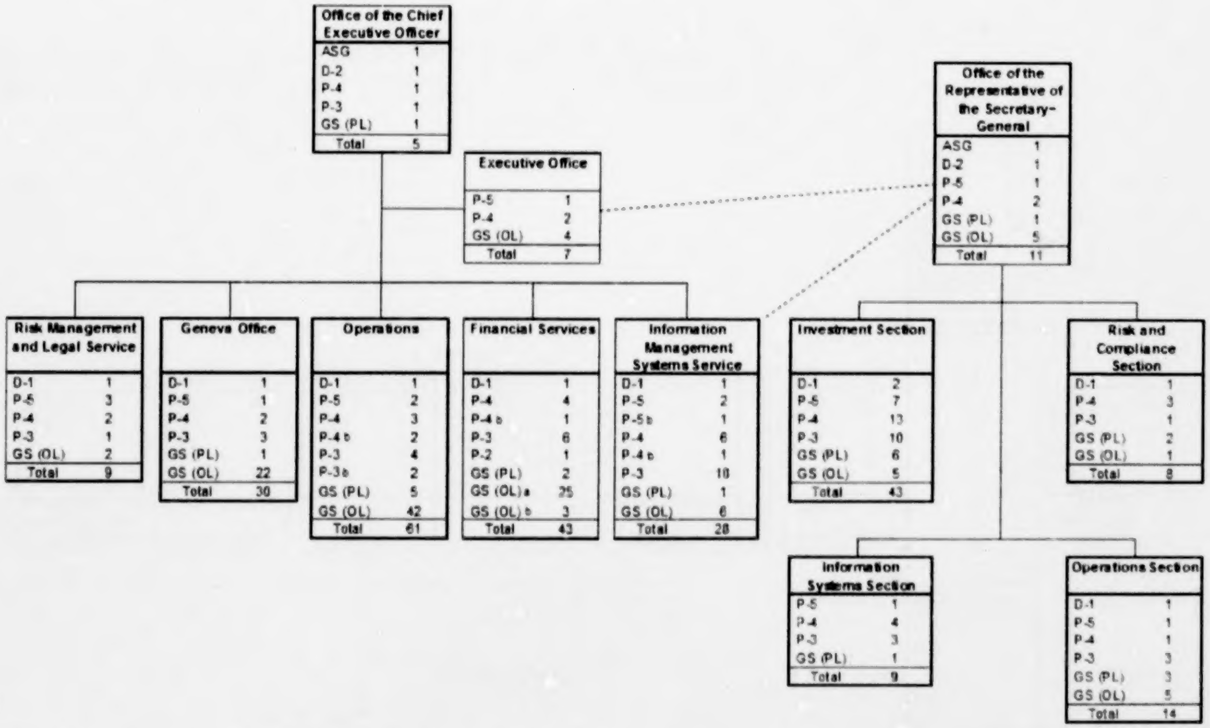
Recommendations of the Board

52. **On the basis of the recommendations of the working group, the Pension Board approved, for submission to the General Assembly, the proposed budget estimates amounting to $180,714,200, comprising administrative costs ($91,666,500), investment costs ($85,180,200), audit costs ($2,902,600) and Board expenses ($964,900). This amount would be apportioned $158,464,500 to the Fund and $22,249,800 to the United Nations under the cost-sharing arrangement.**

53. **In addition, the Board approved resources amounting to $164,700 from extrabudgetary funding for one General Service (Other level) post to be funded by member organizations participating in the after-service health insurance scheme and an amount not to exceed $225,000 for the Emergency Fund, to be adjusted biennially thereafter on the basis of the movement of the United States consumer price index used by the Fund for other such adjustments.**

Annex II

Approved organization chart for the United Nations Joint Staff Pension Fund for the biennium 2014-2015


Office of the Chief Executive Officer
ASG 1
D-2 1
P-4 1
P-3 1
GS (PL) 1
Total 5
Executive Office
P-5 1
P-4 2
GS (OL) 4
Total 7
Office of the Representative of the Secretary-General
ASG 1
D-2 1
P-5 1
P-4 2
GS (PL) 1
GS (OL) 5
Total 11
Risk Management and Legal Service
D-1 1
P-5 3
P-4 2
P-3 1
GS (OL) 2
Total 9
Geneva Office
D-1 1
P-5 1
P-4 2
P-3 3
GS (PL) 1
GS (OL) 22
Total 30
Operations
D-1 1
P-5 2
P-4 3
P-4 b 2
P-3 4
P-3 b 2
GS (PL) 5
GS (OL) 42
Total 61
Financial Services
D-1 1
P-4 4
P-4 b 1
P-3 6
P-2 1
GS (PL) 2
GS (OL) a 25
GS (OL) b 3
Total 43
Information Management Systems Service
D-1 1
P-5 2
P-5 b 1
P-4 6
P-4 b 1
P-3 10
GS (PL) 1
GS (OL) 6
Total 28
Investment Section
D-1 2
P-5 7
P-4 13
P-3 10
GS (PL) 6
GS (OL) 5
Total 43
Risk and Compliance Section
D-1 1
P-4 3
P-3 1
GS (PL) 2
GS (OL) 1
Total 8
Information Systems Section
P-5 1
P-4 4
P-3 3
GS (PL) 1
Total 9
Operations Section
D-1 1
P-5 1
P-4 1
P-3 3
GS (PL) 3
GS (OL) 5
Total 14

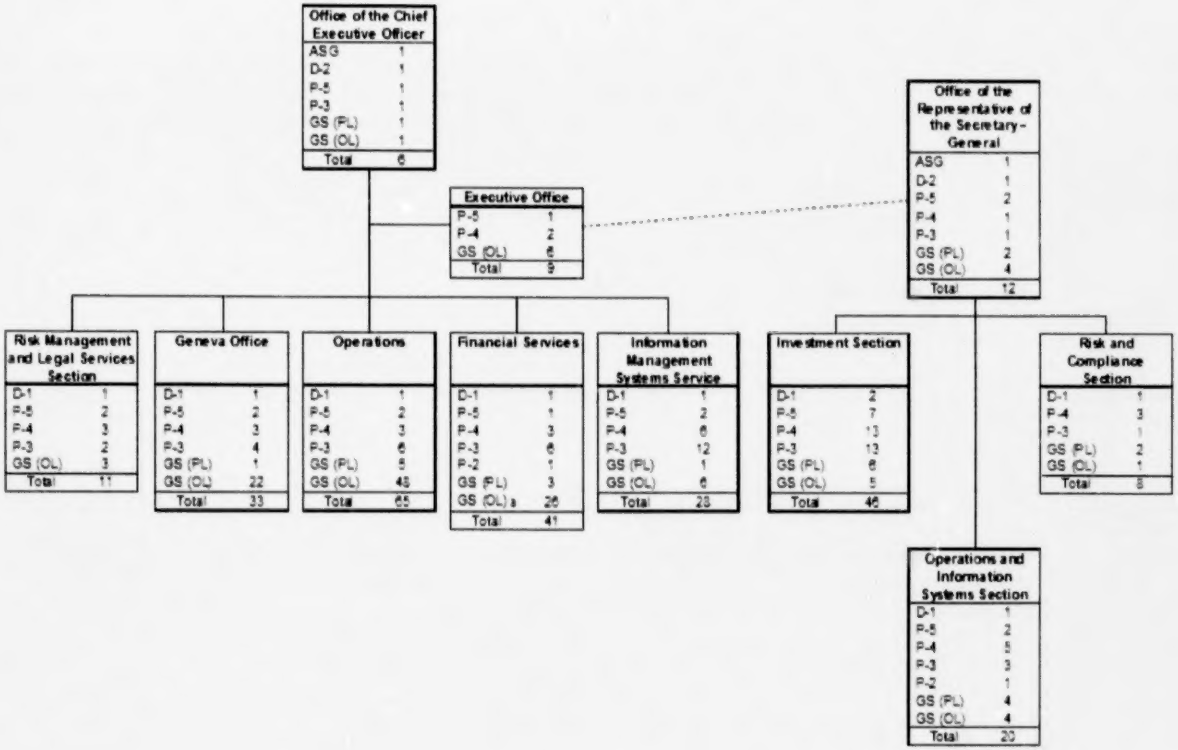
Abbreviations: ASG, Assistant Secretary-General; GS, General Service; OL, Other level; PL, Principal level.

[a] One extrabudgetary General Service (Other level) post is funded by member organizations.

[b] Temporary posts authorized for the integrated pension administration system project.

Annex III

Proposed organization chart for the United Nations Joint Staff Pension Fund for the biennium 2016-2017


Office of the Chief Executive Officer
ASG 1
D-2 1
P-5 1
P-3 1
GS (PL) 1
GS (OL) 1
Total 6
Executive Office
P-5 1
P-4 2
GS (OL) 6
Total 9
Office of the Representative of the Secretary-General
ASG 1
D-2 1
P-5 2
P-4 1
P-3 1
GS (PL) 2
GS (OL) 4
Total 12
Risk Management and Legal Services Section
D-1 1
P-5 2
P-4 3
P-3 2
GS (OL) 3
Total 11
Geneva Office
D-1 1
P-5 2
P-4 3
P-3 4
GS (PL) 1
GS (OL) 22
Total 33
Operations
D-1 1
P-5 2
P-4 3
P-3 6
GS (PL) 5
GS (OL) 48
Total 65
Financial Services
D-1 1
P-5 1
P-4 3
P-3 6
P-2 1
GS (PL) 3
GS (OL) a 26
Total 41
Information Management Systems Service
D-1 1
P-5 2
P-4 6
P-3 12
GS (PL) 1
GS (OL) 6
Total 28
Investment Section
D-1 2
P-5 7
P-4 13
P-3 13
GS (PL) 6
GS (OL) 5
Total 46
Risk and Compliance Section
D-1 1
P-4 3
P-3 1
GS (PL) 2
GS (OL) 1
Total 8
Operations and Information Systems Section
D-1 1
P-5 2
P-4 5
P-3 3
P-2 1
GS (PL) 4
GS (OL) 4
Total 20

Abbreviations: ASG, Assistant Secretary-General; GS, General Service; OL, Other level; PL, Principal level.

[a] One extrabudgetary General Service (Other level) post is funded by member organizations.

Annex IV

Number of participants in the United Nations Joint Staff Pension Fund by member organization as at 31 December 2014

Member organization	*Number of participants*																	
	1997	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
United Nations[a]	43 864	43 751	44 958	50 126	54 953	56 287	57 541	59 542	64 092	68 853	74 575	79 933	82 576	85 617	85 289	86 190	85 721	84 476
International Labour Organization	2 599	2 620	2 612	2 650	2 747	2 863	3 044	3 221	3 330	3 261	3 366	3 572	3 642	3 741	3 697	3 644	3 599	3 692
Food and Agriculture Organization of the United Nations	5 435	5 387	5 340	5 315	5 344	5 447	5 648	5 822	5 918	5 774	5 735	5 722	6 011	6 145	6 243	6 081	6 032	9 558
United Nations Educational, Scientific and Cultural Organization	2 588	2 650	2 629	2 452	2 414	2 437	2 517	2 528	2 508	2 469	2 526	2 553	2 602	2 632	2 651	2 520	2 442	2 376
World Health Organization	5 935	6 180	6 409	6 817	7 375	8 181	8 966	9 498	9 932	10 072	10 157	10 435	11 029	10 986	10 774	10 391	10 153	10 091
International Civil Aviation Organization	852	852	841	867	873	883	863	863	826	806	795	775	784	791	777	778	745	769
World Meteorological Organization	312	314	327	329	322	310	303	287	302	334	332	319	315	309	307	303	315	327
General Agreement on Tariffs and Trade[b]	529	542	7	4	3	1												
International Atomic Energy Agency	2 053	2 075	2 068	2 076	2 125	2 168	2 207	2 217	2 261	2 278	2 273	2 229	2 245	2 307	2 363	2 447	2 464	2 517
International Maritime Organization	323	310	315	325	330	340	344	351	343	338	337	320	323	313	312	308	291	290
International Telecommunication Union	905	921	965	953	967	1 006	971	875	871	854	843	823	831	830	822	834	814	781
World Intellectual Property Organization	712	807	955	1 033	1 106	1 189	1 240	1 206	1 166	1 130	1 134	1 139	1 154	1 156	1 161	1 173	1 242	1 246
International Fund for Agricultural Development	298	332	338	344	383	435	462	488	506	502	519	526	534	540	549	556	540	560
International Centre for the Study of the Preservation and Restoration of Cultural Property	29	32	35	37	33	36	34	39	39	40	38	37	36	34	32	34	33	32

Member organization	Number of participants																	
	1997	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
European and Mediterranean Plant Protection Organization	11	12	12	12	12	11	11	11	11	12	12	13	13	13	14	13	13	15
United Nations Industrial Development Organization	1 064	921	851	810	813	821	786	791	783	753	759	779	825	826	775	769	735	713
International Centre for Genetic Engineering and Biotechnology	138	141	142	145	145	150	152	162	171	173	177	191	194	190	189	183	184	177
World Tourism Organization	72	74	78	79	79	83	88	95	90	99	100	95	95	95	98	97	97	98
International Tribunal for the Law of the Sea	18	20	25	27	30	33	34	34	36	36	36	38	34	34	37	36	38	36
International Seabed Authority	3	30	28	31	28	34	34	28	30	29	29	32	31	32	31	32	35	30
International Criminal Court[c]								298	431	578	719	809	865	908	974	936	914	958
Inter-Parliamentary Union[d]									37	40	45	43	48	49	45	46	47	45
International Organization for Migration[e]											2 059	2 419	3 134	3 261	3 263	3 326	3 428	3 536
Special Tribunal for Lebanon[f]													259	329	371	396	412	436
Total participants	**67 740**	**67 971**	**68 935**	**74 432**	**80 082**	**82 715**	**85 245**	**88 356**	**93 683**	**98 431**	**106 566**	**112 804**	**117 580**	**121 138**	**120 774**	**121 098**	**120 294**	**122 759**
Total member organizations	**20**	**20**	**20**	**20**	**20**	**20**	**19**	**20**	**21**	**21**	**22**	**22**	**23**	**23**	**23**	**23**	**23**	**23**

[a] The number of United Nations participants for 2006 was revised downward by 2. from 68.855 to 68.853.

[b] The General Agreement on Tariffs and Trade withdrew from the United Nations Joint Staff Pension Fund as from 31 December 1998.

[c] The International Criminal Court became the twentieth organization member of the Fund as at 1 January 2004.

[d] The Inter-Parliamentary Union became the twenty-first member as at 1 January 2005.

[e] The International Organization for Migration became the twenty-second member as at 1 January 2007.

[f] The Special Tribunal for Lebanon became the twenty-third member as at 1 January 2009.

Annex V

Financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2014

The present annex includes the financial statements, related schedule and statistical tables of the United Nations Joint Staff Pension Fund for the year ended 31 December 2014. The documentation consists of the following items:

A. Statement of internal control for the year ended 31 December 2014

B. Certification of financial statements for the year ended 31 December 2014

C. Financial statements and schedule

Statement I.	Statement of net assets of the Fund available for benefits as at 31 December 2013 and 31 December 2014
Statement II.	Statement of changes in net assets of the Fund available for benefits
Schedule	Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2014

D. Notes to the financial statements

Appendix	Statistics on the operations of the Fund
Table 1	Number of participants
Table 2	Benefits awarded to participants or their beneficiaries during the year ended 31 December 2014
Table 3	Analysis of periodic benefits for the year ended 31 December 2014

A. Statement of internal control for the year ended 31 December 2014

Scope of responsibility

The United Nations Joint Staff Pension Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple-employer defined benefit plan and is governed by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee.

The Chief Executive Officer of the Fund, who is also the Secretary of the Pension Board, discharges the Board's responsibility for the administrative supervision of the secretariat of the Fund. Under the authority of the Board, the Chief Executive Officer collects contributions, ensures record-keeping for the secretariat, certifies benefit payments and addresses other issues related to the Fund's participants and beneficiaries. The Chief Executive Officer is also responsible for ensuring that actuarial matters are addressed with a view to maintaining the long-term sustainability and financial health of the Fund.

The investment of the assets of the Fund is the responsibility of the Secretary-General. The Secretary-General has delegated his authority and responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets of the Fund, including management and accounting of investments, to the Representative of the Secretary-General for the investment of the assets of the Fund. The Representative makes investment decisions after consultation with the Investments Committee and in the light of observations on investment policy made from time to time by the Pension Board.

The Chief Executive Officer and the Special Representative of the Secretary-General are responsible for establishing and maintaining a sound system of internal controls, in their respective areas of responsibility, to ensure the accomplishment of objectives, the economic use of resources, the reliability and integrity of information, compliance with rules and regulations, and the safeguarding of assets.

Purpose of the system of internal control

The system of internal control is designed to reduce and manage, rather than eliminate, the risk of failure to achieve the Fund's objectives and to improve performance. Therefore, it can only provide a reasonable, rather than an absolute, assurance of effectiveness.

Internal control is an ongoing process, effected by the Fund's governing bodies, senior management and other personnel, designed to provide reasonable assurance about the achievement of the following internal control objectives:

- Effectiveness and efficiency of operations
- Reliability of reporting
- Compliance with applicable rules and regulations

Capacity to handle risk

The Pension Fund has implemented a well-developed governance structure, management process and internal and external oversight mechanisms to adequately identify, assess, manage, monitor and report the risks inherent to its operations. In 2006 the Fund adopted its first enterprise-wide risk management policy aimed at implementing an enterprise-wide risk management framework. The Pension Board has subsequently approved further updates to the policy. The enterprise-wide risk management framework adopted by the Fund reflects the nature of its operations and development as well as its specific requirements, and incorporates risk management best practices developed by the Committee of Sponsoring Organizations of the Treadway Commission.

Risk management and internal control framework

The purpose of the enterprise-wide risk management framework is to identify events that may affect the Pension Fund and manage risk within the Fund's risk appetite. The Fund's risk management framework includes the following components:

- **Risk management governance**: the risk management framework is supported by the full ownership and accountability of the Pension Board, management and staff for risk management activities. The Board has established specialized committees to conduct oversight and provide advice to the Board on risk management and internal control matters. The Audit Committee oversees the work of the Fund's internal and external auditors, and receives information on the operation of the enterprise-wide risk management framework. The Assets and Liabilities Monitoring Committee provides advice to the Board with regard to risk management, funding policy, asset-liability management and investment policy

- **Risk management policy**: the enterprise-wide risk management policy defines the elements of the enterprise-wide risk management framework and specifies its applicability throughout the Fund. The enterprise-wide risk management methodology defines the steps, roles and responsibilities in the risk management process
- **Enterprise-wide risk assessment**: the Fund retains the services of independent consulting firms to prepare risk assessment reports every three years. The last risk assessment exercise was completed in January 2013 and served as a basis to review the Fund's risk management strategies and prepare a risk-based internal audit plan. During 2014, the Fund's management, with support provided by an external consultant, conducted an internal exercise to identify its key financial reporting and information and communications technology risks and controls. The results of this exercise support the preparation of the statement of internal control
- **Risk monitoring**: the Enterprise-wide Risk Management Working Group, which is chaired by the Fund's Chief Executive Officer and the Representative of the Secretary-General for the investment of the assets of the Fund, and has representatives from all units in the Fund secretariat and the Investment Management Division, monitors the Fund's risk profile and emerging risks as well as the implementation of risk management strategies. Risk management officers in the Fund secretariat and the Division promote the implementation of the enterprise-wide risk management framework; facilitate the assessment of risks; provide advice in the implementation of risk management strategies; and monitor the Fund's risk profile and report thereon to senior management.

The internal control policy of the Pension Fund, approved in May 2014, defines internal control as all processes designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable regulations. The Fund has four lines of defence in terms of internal control, including (a) management, (b) risk management and compliance sections, (c) internal audit and (d) external audit. Complementarily, the Pension Fund maintains a comprehensive system of internal controls intended to provide reasonable assurance that assets are safeguarded; that transactions are properly recorded and authorized, and are in accordance with applicable rules and regulations; and that there are no material misstatements in the financial statements.

Review of the effectiveness of internal controls

The review by Pension Fund management of the effectiveness of the system of internal control as at 31 December 2014 is informed by:

- The preparation of the statement of internal control for the year ended 31 December 2014, which involved a scoping exercise to identify the Fund's key business processes and critical applications; the identification of key financial reporting risks; the identification, description and documentation of

(a) entity-level controls, (b) key business controls over financial reporting and (c) key information and communications technology general controls that support the preparation of the Fund's financial statements; a review of the results of assurance activities conducted for the Fund's key controls. The preparation of the statement of internal control did not involve the testing of key internal controls by management; however, the Fund's internal and external auditors have evaluated the design and effectiveness of the majority of key business and information and communications technology controls.

- The management of the Fund also derives assurance from assertion letters on the effectiveness of internal controls over financial reporting signed by 14 key officers in the Fund secretariat and Investment Management Division. The letters recognize the responsibility of each of these officers for implementing, maintaining and executing internal controls for financial reporting risks and for reporting deficiencies identified. Taking into consideration the information contained in these assertion letters, there is nothing material that would have an adverse effect on the financial statements.

- An independent service auditor was engaged to perform an independent service audit on the controls applied by Northern Trust, the master record keeper for the Fund's investments. The audit was conducted in accordance with the standards defined by the American Institute of Certified Public Accountants and the International Auditing and Assurance Standards Board. The audit concluded that, in all material respects, the controls were suitably designed and operating effectively to provide reasonable assurance that control objectives would be achieved.

- The Audit Committee monitored the implementation of the internal audit plan and reviewed the results of audit examinations and the implementation of audit recommendations. The Fund's Chief Executive Officer, the Representative of the Secretary-General, the Chief Financial Officer, the Risk and Compliance Officers and the internal and external auditors held quarterly meetings with the Audit Committee to discuss the adequacy of internal control over external financial reporting and any other matters which they believed should be brought to the attention of the Audit Committee.

- The Fund relies on the work of the Office of Internal Oversight Services (OIOS), the Fund's internal auditors, for obtaining assurance that internal controls are adequate and functioning effectively. In the execution of its audit plan, OIOS conducted audit examinations in high-risk areas to provide assurance about the effectiveness of internal controls and identify control deficiencies. The internal audit examinations have resulted in the issuance of audit recommendations. The Chief Executive Officer and the Representative of the Secretary-General, in their respective areas of responsibility, have taken appropriate actions to address audit recommendations.

- The United Nations Board of Auditors, the external auditors of the Pension Fund, conducted an independent examination of the Fund's financial statements, performing such tests and other procedures as they considered necessary to express an opinion in their annual audit report. The external auditors were given full and unrestricted access to all financial records and related data, and to the Fund's management and the Audit Committee to discuss any findings related to the integrity and reliability of the Fund's financial reporting and the adequacy of internal control systems. The Fund's management believes that all representations made to the external auditors during their audit of financial statements and attestations of its internal control over financial reporting were valid and appropriate. The Board of Auditors report accompanies the financial statements (see annex VI).

Significant internal control matters that arose during the year

The statement of internal control for the year ended 31 December 2014 draws attention to the following key areas that impact operations or financial statements where significant progress has been made:

- Further implementation of the enterprise-wide risk management framework: at its sixty-first session in July 2014, the Pension Board approved the Fund's risk appetite statement, which establishes that the Fund has very low appetite for the risk of losing its long-term sustainability and not being able to meet its long-term financial commitments. The Board also approved and, where appropriate, recommended that risk tolerance metrics be established for ongoing monitoring of the Fund's solvency and investment risks.
- During 2014, the Fund's management introduced further refinements to its enterprise-wide risk management framework, including the approval of the internal control policy and updates to the enterprise-wide risk management methodology. The scope of the statement of internal control was also expanded to cover additional key processes and officers.

Statement

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error or circumvention. Accordingly, even effective internal controls can provide only reasonable but not absolute assurance. Furthermore, because of changes in conditions, the effectiveness of internal controls may vary over time.

We are committed, within the scope of our respective areas of responsibility, to address any weaknesses in internal controls identified during the year and to ensure that continuous improvement of the system of internal controls takes place.

Based on the foregoing, we conclude that to the best of our knowledge and information there are no material weaknesses in our respective areas of responsibility which would prevent the external auditors from providing an unqualified opinion on the financial statements or would need to be raised in the present document for the year ended 31 December 2014.

(*Signed*) Sergio B. **Arvizú**
Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Carolyn **Boykin**
Representative of the Secretary-General
for the investment of the assets of the
United Nations Joint Staff Pension Fund

20 April 2015

B. Certification of financial statements for the year ended 31 December 2014

The financial statements of the United Nations Joint Staff Pension Fund are prepared by management and submitted for approval to the Pension Board. The financial statements have been prepared in accordance with the International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board. They include certain amounts based on management's judgements and best estimates when deemed to be appropriate.

The summary of significant accounting policies applied in the preparation of the financial statements is included in the notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by the Fund during the period covered by the statements. The Chief Executive Officer and the Representative of the Secretary-General for the investment of the assets of the Fund certify the financial statements in their respective areas of responsibility.

The Chief Financial Officer reports to the Chief Executive Officer and to the Representative of the Secretary-General in their respective substantive responsibilities and certifies the integrity and reliability of the financial statements.

(*Signed*) Sergio B. **Arvizú**
Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Carolyn **Boykin**
Representative of the Secretary-General
for the investment of the assets of the
United Nations Joint Staff Pension Fund

(*Signed*) Dennis D. **Liberatore**
Chief Financial Officer ad interim
United Nations Joint Staff Pension Fund

27 May 2015

C. Financial statements and schedule

Statement I

Statement of net assets of the Fund available for benefits as at 31 December 2013 and 31 December 2014

(Thousands of United States dollars)

	Notes	*31 December 2014*	*31 December 2013*
Assets			
Cash and cash equivalents	5	2 110 884	2 005 890
Investments	6, 7		
Short-term investments		–	47 478
Equities		33 616 919	33 492 217
Fixed income		12 830 186	12 219 906
Real assets		2 764 409	2 400 046
Alternatives and other investments		1 523 766	1 184 413
		50 735 280	**49 344 060**
Contributions receivable		39 283	34 309
Accrued income from investments	8	155 645	163 466
Receivable from investments traded	6	16 319	18 413
Withholding tax receivable	9	8 782	9 355
Other assets	10	34 646	52 983
Total assets		**53 100 839**	**51 628 476**
Liabilities			
Benefits payable	11	68 691	60 493
Payable from investments traded	6	44 710	14 513
After-service health insurance and other employee benefits payable	12	76 992	56 319
Other accruals and liabilities	13	26 962	24 397
Total liabilities		**217 355**	**155 722**
Net assets available for benefits		**52 883 484**	**51 472 754**

Statement II

Statement of changes in net assets of the Fund available for benefits

(Thousands of United States dollars)

	Notes	*2014*	*2013*
Investment income	14		
Net appreciation in fair value of investments		2 488 067	6 386 946
Interest income		375 093	398 072
Dividend income		845 069	761 728
Income from real assets		30 642	36 587
Foreign currency (losses)		(1 955 144)	(558 924)
Less: transaction costs and management fees	4	(124 904)	(110 201)
		1 658 823	**6 914 208**
Contributions	15		
From participants		756 591	737 197
From member organizations		1 503 298	1 464 879
Other contributions		4 181	4 596
		2 264 070	**2 206 672**
Other income	16	1 932	1 083
Benefit payments	17		
From withdrawal settlements and full commutation benefits		121 013	142 669
From retirement benefits		2 300 547	2 193 340
Other benefits		325	1 779
		2 421 885	**2 337 788**
Administrative expenses	4, 18	83 321	60 850
Other expenses	19	3 865	6 430
Withholding tax expense		5 024	3 210
Change in net assets available for benefits		**1 410 730**	**6 713 685**

Schedule

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2014

(Thousands of United States dollars)

	Initial appropriation 2014			*Actuals on a comparable basis 2014*			*Variance*			
	UNJSPF	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*Percentage*
A. Secretariat administrative expenses										
Established posts	**15 546.3**	**6 418.7**	**21 965.0**	**15 355.8**	**6 428.8**	**21 784.6**	**(190.5)**	**10.1**	**(180.4)**	**-1**
Other staff costs	**2 062.9**	**485.4**	**2 548.3**	**2 071.4**	**466.1**	**2 537.5**	**8.5**	**(19.3)**	**(10.8)**	**0**
Consultants	**495.2**	–	**495.2**	**65.0**	–	**65.0**	**(430.2)**	–	**(430.2)**	**-87**
Travel of staff	446.7	–	446.7	405.4	–	405.4	(41.3)	–	(41.3)	-9
Committee of actuaries and audit committee	281.7	–	281.7	186.7	–	186.7	(95.0)	–	(95.0)	-34
Travel	**728.4**	–	**728.4**	**592.1**	–	**592.1**	**(136.3)**	–	**(136.3)**	**-19**
Training	**187.1**	–	**187.1**	**78.3**	–	**78.3**	**(108.8)**	–	**(108.8)**	**-58**
International Computing Centre services	5 967.4	952.8	6 920.2	5 017.4	952.8	5 970.2	(950.0)	–	(950.0)	-14
Contractual services	6 748.1	520.4	7 268.5	7 699.9	327.4	8 027.3	951.8	(193.0)	758.8	10
Contractual services	**12 715.5**	**1 473.2**	**14 188.7**	**12 717.3**	**1 280.2**	**13 997.5**	**1.8**	**(193.0)**	**(191.2)**	**-1**
Hospitality	**2.1**	–	**2.1**	**1.4**	–	**1.4**	**(0.7)**	–	**(0.7)**	**-33**
Rental and maintenance of premises	3 502.4	1 677.7	5 180.1	6 169.0	3 067.5	9 236.5	2 666.6	1 389.8	4 056.4	78
Rental and maintenance of equipment	38.2	–	38.2	35.1	–	35.1	(3.1)	–	(3.1)	-8
Communications services	587.0	–	587.0	181.2	–	181.2	(405.8)	–	(405.8)	-69
Operating expenses	205.6	4.3	209.9	282.8	–	282.8	77.2	(4.3)	72.9	35
Bank charges	1 548.0	–	1 548.0	880.9	–	880.9	(667.1)	–	(667.1)	-43
General operating expenses	**5 881.2**	**1 682.0**	**7 563.2**	**7 549.0**	**3 067.5**	**10 616.5**	**1 667.8**	**1 385.5**	**3 053.3**	**40**
Supplies and materials	69.6	34.8	104.4	52.5	25.9	78.4	(17.1)	(8.9)	(26.0)	-25
Furniture and equipment	641.4	252.5	893.9	170.3	73.9	244.2	(471.1)	(178.6)	(649.7)	-73
Supplies, furniture and equipment	**711.0**	**287.3**	**998.3**	**222.8**	**99.8**	**322.6**	**(488.2)**	**(187.5)**	**(675.7)**	**-68**
Total	**38 329.7**	**10 346.6**	**48 676.3**	**38 653.1**	**11 342.4**	**49 995.5**	**323.4**	**995.8**	**1 319.2**	**3**
B. Investment administrative expenses										
Established posts	**10 816.4**	–	**10 816.4**	**9 313.5**	–	**9 313.5**	**(1 502.9)**	–	**(1 502.9)**	**-14**
Other staff costs	**1 040.6**	–	**1 040.6**	**719.7**	–	**719.7**	**(320.9)**	–	**(320.9)**	**-31**
Consultants	**478.3**	–	**478.3**	**377.6**	–	**377.6**	**(100.7)**	–	**(100.7)**	**-21**

	Initial appropriation 2014			*Actuals on a comparable basis 2014*			*Variance*			
	UNJSPF	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*Percentage*
Travel of staff	870.9	–	870.9	426.1	–	426.1	(444.8)	–	(444.8)	-51
Investments committee	333.7	–	333.7	162.9	–	162.9	(170.8)	–	(170.8)	-51
Travel	**1 204.6**	**–**	**1 204.6**	**589.0**	**–**	**589.0**	**(615.6)**	**–**	**(615.6)**	**-51**
Training	**362.6**	**–**	**362.6**	**67.6**	**–**	**67.6**	**(295.0)**	**–**	**(295.0)**	**-81**
Electronic data processing and other contractual services	7 080.1	–	7 080.1	3 956.6	–	3 956.6	(3 123.5)	–	(3 123.5)	-44
External legal consultants	1 565.2	–	1 565.2	640.4	–	640.4	(924.8)	–	(924.8)	-59
Advisory and custodial services	14 846.8	–	14 846.8	17 537.7	–	17 537.7	2 690.9	–	2 690.9	18
Contractual services	**23 492.1**	**–**	**23 492.1**	**22 134.7**	**–**	**22 134.7**	**(1 357.4)**	**–**	**(1 357.4)**	**-6**
Hospitality	**12.3**	**–**	**12.3**	**19.9**	**–**	**19.9**	**7.6**	**–**	**7.6**	**62**
Rental and maintenance of premises	2 654.3	–	2 654.3	5 025.2	–	5 025.2	2 370.9	–	2 370.9	89
Rental and maintenance of equipment	13.2	–	13.2	5.3	–	5.3	(7.9)	–	(7.9)	-60
Communications services	127.6	–	127.6	94.6	–	94.6	(33.0)	–	(33.0)	-26
Operating expenses	375.1	–	375.1	6.6	–	6.6	(368.5)	–	(368.5)	-98
General operating expenses	**3 170.2**	**–**	**3 170.2**	**5 131.7**	**–**	**5 131.7**	**1 961.5**	**–**	**1 961.5**	**62**
Supplies and materials	88.9	–	88.9	43.7	–	43.7	(45.2)	–	(45.2)	-51
Furniture and equipment	575.3	–	575.3	15.6	–	15.6	(559.7)	–	(559.7)	-97
Supplies, furniture and equipment	**664.2**	**–**	**664.2**	**59.3**	**–**	**59.3**	**(604.9)**	**–**	**(604.9)**	**-91**
Total	**41 241.3**	**–**	**41 241.3**	**38 413.0**	**–**	**38 413.0**	**(2 828.3)**	**–**	**(2 828.3)**	**-7**
C. Audit expenses										
External audit	**322.8**	**64.6**	**387.4**	**322.8**	**64.6**	**387.4**	**–**	**–**	**–**	**0**
Internal audit	**730.6**	**146.1**	**876.7**	**710.8**	**142.2**	**853.0**	**(19.8)**	**(3.9)**	**(23.7)**	**-3**
Total	**1 053.4**	**210.7**	**1 264.1**	**1 033.6**	**206.8**	**1 240.4**	**(19.8)**	**(3.9)**	**(23.7)**	**-2**
D. Board expenses	**204.2**	**–**	**204.2**	**142.5**	**–**	**142.5**	**(61.7)**	**–**	**(61.7)**	**-30**
Total administrative expenses	**80 828.6**	**10 557.3**	**91 385.9**	**78 242.2**	**11 549.2**	**89 791.4**	**(2 586.4)**	**991.9**	**(1 594.5)**	**-2**

The purpose of the foregoing schedule is to compare budget to actual amounts on a comparable basis, that is, actual amounts on the same basis as the budget. As the budget of the Pension Fund is prepared on a modified cash basis and the actual expenditure on a comparable basis is also reported on a modified cash basis, the total for actual costs on a comparable basis does not agree with the administrative expenses shown in the statement of changes in net assets, as that statement is prepared on an accrual basis. A reconciliation of the differences is provided in note 23.2.

Explanation of significant differences (> +/-10 per cent) between budget and actuals on a comparable basis

Fund secretariat administrative expenses

Consultants: the underexpenditure relates to the cancellation of a planned consultancy to develop a new Fund-wide operating model in coordination with the integrated pension administration system. In order to economize, the Fund dealt with the issues related to the business operating model by streamlining the work of the transition manager in coordination with all business areas.

Travel: the underexpenditure for the travel of staff is attributable to efforts to reduce travel costs through increased use of videoconferences and telephone conferences. The underexpenditure for the travel of Committee members is due to non-attendance by some Committee members at some of the meetings.

Training: the underexpenditure is the result of fewer training opportunities being taken than anticipated in 2014 and the postponement of some training activities until after the deployment of the integrated pension administration system.

Hospitality: the slight underexpenditure is the result of efforts to minimize hospitality costs, with fewer functions hosted than anticipated.

General operating expenses: the overall overutilization is related mainly to the full obligation of the rental and other maintenance contracts for 2015 in December 2014. The underutilization of communications costs in 2014 is attributable to continued savings achieved through the review and reorganization of communications services and policies. The underutilization of bank charges is attributable to continued savings in bank fees as a result of implementing a new contract with a reduced bank fee structure.

Supplies and materials: the underutilization is due to lower than anticipated requirements for supplies and materials in 2014.

Furniture and equipment: the underexpenditure is related mainly to information technology software and equipment within the Information Management Systems Service. The Service developed an optimization strategy that allowed for the postponing of several acquisitions to the next biennium.

Investment administrative expenses

Established posts: the underutilization is due mainly to the time required for the recruitment of staff against the 20 new posts approved for the biennium 2014-2015.

Other staff costs: the underexpenditure is attributable to reduced requirements for general temporary assistance in 2014 owing to delays in identifying selected candidates and obtaining agreement to release them, and in some cases, to the inability of candidates to continue on general temporary assistance. The use of general temporary assistance is being reconsidered and will be applied in 2015 for positions such as the Special Assistant to the Representative of the Secretary-General.

Consultants: the underexpenditure results from the postponement and cancellation of some planned consultancies. The consultancy on Murex was not utilized owing to the termination of the Murex software licence contract and the decision to decommission the system. The hedge fund monitoring consultancy will not be implemented, given that the selection of a hedge fund adviser is currently under way. The frontier market strategy and socially responsible investing consultancies are scheduled for 2015.

Travel: the underutilization in travel of staff is due to the postponement of some travel to 2015, as staff had limited time to attend conferences while recruitment for 20 new posts was being carried out. In addition, since the Investment Management Division of the Fund wishes to align its travel agenda with its investment priorities, only appropriate travel opportunities aligned with the priorities were undertaken. The underutilization was also achieved by utilizing telephone and videoconferences whenever possible. With regard to the travel of representatives, not all Investments Committee members were able to attend every Committee meeting.

Training: there were decreased requirements for training in 2014 owing to exigencies of service, as the Investment Management Division continues to recruit towards a full staff complement during this time of market volatility. As a result, the Division has opted to take advantage of frequent, localized and shorter term, no-cost training opportunities offered by various financial institutions (including the CFA Institute, Bloomberg, HOLT Lens and BarraOne), such as the planned ethics training for all Division staff in cooperation with the CFA Institute.

Hospitality: the overexpenditure results from higher than anticipated catering costs for the Investments Committee.

General operating expenses: the overall overutilization is related mainly to the full obligation of the rental and other maintenance contracts for the year 2015 in December 2014, offset in part by lower than expected expenditure on other items. After completion of the renovation of the new fifth floor office space in 2015, expenditure on general operating expenses will increase.

Supplies and materials: the underutilization is due to the use of supplies and materials in stock in 2014. In 2015, after recruitment of new staff and completion of the renovation of the new fifth floor office space, additional expenditure on supplies and materials will be incurred.

Furniture and equipment: the underutilization is due to the fact that the provision for new office furniture will be applied in 2015 once the renovation of the new fifth floor office space is completed.

D. Notes to the financial statements

1. Description of the plan

The following is only a brief description of the United Nations Joint Staff Pension Fund. The Regulations and Rules of the Fund are available at the Fund's website (www.unjspf.org).

1.1 General

The Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple-employer defined benefit plan. There are currently 23 member organizations participating in the Fund. All participating organizations and employees contribute to the Fund based on pensionable remuneration. The contribution rate is a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers (see note 3.5).

The Fund is governed by a Pension Board made up of (a) 12 members appointed by the United Nations Staff Pension Committee, 4 of whom are elected by the General Assembly, 4 from those appointed by the Secretary-General and 4 from those elected by the participants in service in the United Nations; and (b) 21 members appointed by the staff pension committees of the other member organizations in accordance with the rules of procedure of the Pension Fund, 7 of whom are chosen by the bodies of the member organizations corresponding to the Assembly, 7 from those appointed by the chief administrative officers of the member organizations and 7 from those chosen by the participants in service.

1.2 Administration of the Fund

The Fund is administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee.

The Chief Executive Officer of the Fund, who also serves as Secretary of the Pension Board, is appointed by the Secretary-General on the recommendation of the Board.

The Chief Executive Officer is responsible for the administration of the Pension Fund and for the observance, by all concerned, of the Regulations and Rules of the Fund and the pension adjustment system. This includes responsibility for the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the responsibility for: the organization, servicing and participation of the Fund secretariat in the meetings of the Pension Board, its Standing Committee, the Audit Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee and other related bodies; representing the Board at meetings of the Fifth Committee of the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, the International Civil Service Commission and any other pertinent bodies; and serving as Secretary of the United Nations Staff Pension Committee. The Chief Executive Officer is also responsible for providing a range of administrative functions in support of the Investment Management Division.

The management of the investments of the Fund is the fiduciary responsibility of the Secretary-General, in consultation with the Investments Committee. The Secretary-General has delegated his authority and responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets of the Fund to the Representative of the Secretary-General. The Representative shall arrange for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board. Prior to 1 June 2014, the Assistant Secretary-General for Programme Planning, Budget and Accounts, and Controller of the United Nations, was designated as the Representative, with responsibility for the management and accounting of the investments of the Fund. Following her transfer to the United Nations Development Programme, the Under-Secretary-General for Management of the United Nations was designated as the Representative. With effect from 7 October 2014, a permanent Representative has been appointed by the Secretary-General.

The Chief Financial Officer, who reports to the Chief Executive Officer and to the Representative of the Secretary-General in their respective substantive responsibilities, is responsible for formulating financial policy for the Fund, reviewing budgetary, financial and accounting operations of the Fund and ensuring that an adequate financial control environment is in place to protect the Fund's resources and to guarantee the quality and reliability of financial reporting. In addition, the Chief Financial Officer is responsible for setting the rules for the collection, from the different information systems and areas of the Fund, of the financial and accounting data necessary for the preparation of the Fund's financial statements, to which full access is provided. The Chief Financial Officer ensures that the financial statements are in compliance with the Fund's Regulations and Rules, the accounting standards adopted by the Fund and the decisions of the Pension Board and the General Assembly. The Chief Financial Officer also certifies, together with the Chief Executive Officer and the Representative of the Secretary-General, the Fund's financial statements.

1.3 Participation in the Fund

Members of the staff of each of the 23 member organizations of the Fund become participants in the Fund upon commencing employment under an appointment for six months or longer, or upon completion of six months' service without an interruption of more than 30 days. As at 31 December 2014, the Fund had over 122,000 active contributors (participants). Member organizations/agencies include the United Nations Secretariat, UNICEF, UNDP and UNHCR as well as the various specialized agencies, such as WHO, ILO, IAEA, ICAO, and UNESCO (see appendix for a complete list of member organizations). There are currently more than 72,000 periodic benefits in payment being made to individuals in some 190 countries. The annual pension payments, which total approximately $2.4 billion, are paid in 15 different currencies.

1.4 Operation of the Fund

Participant and beneficiary processing and queries are handled by the Operations sections/units of the Fund, at offices located in New York and Geneva. All of the accounting for operations is carried out in New York by a centralized Financial Services Section, which also manages receipt of monthly contributions from member organizations and the payments of the monthly pension payroll.

The Representative of the Secretary-General is assisted by the staff of the Investment Management Division where investments are actively traded and processed, and investment transactions are reconciled and accounted for.

1.5 Actuarial valuation of the Fund

Article 12 of the Regulations of the United Nations Joint Staff Pension Fund (JSPB/G.4/Rev.18) provides that the Pension Board shall carry out an actuarial valuation made of the Fund at least once every three years. Currently, the Fund is performing actuarial valuations every two years. Article 12 also provides that the actuarial report shall state the assumptions on which the calculations are based, describe the methods of valuation used and state the results, and the recommendations, if any, for appropriate action (see note 20 for the summary of the actuarial situation of the Fund as of the most recent actuarial valuation (31 December 2013)).

1.6 Retirement benefit

Any participant who has five years of contributory service receives, upon separation at or after normal retirement age, a retirement benefit payable for the remainder of his or her life. "Normal retirement age" means age 60 for participants whose service commenced prior to 1 January 1990, age 62 for participants whose service commenced or recommenced on or after 1 January 1990 and age 65 for participants whose service commenced or recommenced on or after 1 January 2014.

The standard annual rate of retirement benefit for a participant who enters the Fund on or after 1 January 1983 is the sum of:

(a) 1.5 per cent of final average remuneration multiplied by the first five years of contributory service;

(b) 1.75 per cent of final average remuneration multiplied by the next five years of contributory service;

(c) 2 per cent of final average remuneration multiplied by the years of contributory service in excess of 10, but not exceeding 25;

(d) Years of contributory service in excess of 35 and performed as from 1 July 1995, by 1 per cent of the final average remuneration, subject to a maximum total accumulation rate of 70 per cent.

The standard annual rate of retirement benefit for a participant who entered the Fund prior to 1 January 1983 is 2 per cent of final average remuneration multiplied by contributory service not exceeding 30 years, plus 1 per cent of final average remuneration multiplied by such service in excess of 30 years, not exceeding 10 years.

The maximum benefit to participants at the equivalent level of Under-Secretary-General or Assistant Secretary-General is the greater of 60 per cent of pensionable remuneration at the date of separation or the maximum benefit that would be payable, at that date, to a participant at the D-2 level (who has been at the top step for the preceding five years).

The retirement benefit shall, however, be payable at the minimum annual rate, which is obtained by multiplying the years of the participant's contributory service, not exceeding 10, by the smaller of $1,034.96 (with effect from 1 April 2014, subject to subsequent adjustments in accordance with the movement of the United States consumer price index under the pension adjustment system) or one thirtieth of the final average remuneration.

The annual rate of the retirement benefit shall, nevertheless, not be less, when no other benefit is payable on the account of the participant, than the smaller of $1,646.16 [with effect from 1 April 2014, subject to subsequent adjustments in accordance with the movement of the United States consumer price index under the pension adjustment system] or the final average remuneration of the participant.

"Final average remuneration" means the average annual pensionable remuneration of a participant during the 36 completed months of highest pensionable remuneration within the last 5 years of contributory service.

A participant may, except in the case where a minimum benefit is payable and he or she does not waive the rights thereto, elect to receive (a) if the retirement benefit is $300 per annum or more, a lump sum not greater than the larger of one third of the actuarial equivalent of the retirement benefit (not exceeding the maximum amount payable to a participant then retiring at normal retirement age, with final average remuneration equal to the pensionable remuneration for the top step of the P-5 level), or the amount of the participant's own contributions at retirement, and the participant's retirement benefit is then reduced accordingly; or (b) if the participant's retirement benefit is less than $1,000 per annum, the lump sum actuarial equivalent of the full retirement benefit, including the prospective spouse's benefit, if any, if the participant so elects.

Early retirement

An early retirement benefit is payable to a participant whose age on separation is at least 55 years (58 years for a participant whose participation commenced on or after 1 January 2014) but less than the normal retirement age and who has 5 years or more of contributory service at separation.

The early retirement benefit for a participant whose participation commenced prior to 1 January 2014 is payable at the standard annual rate for a retirement benefit reduced by 6 per cent for each year between the retirement date and normal retirement age, except that: (a) if the participant has completed 25 but less than 30 years of contributory service at the date of retirement, the part of the benefit for service before 1 January 1985 is reduced by 2 per cent a year and the remaining part of the benefit is reduced by 3 per cent a year; or (b) if the participant has completed 30 or more years of contributory service at the date of retirement, the benefit is reduced by 1 per cent a year, provided, however, that the rate in (a) or (b) applies to no more than 5 years. The methodology of calculation of the early retirement benefits for employees participating on or after 1 January 2014 is detailed in article 29 of the Regulations and Rules of the Fund.

The early retiree may elect to receive a lump sum on the same terms as for a retirement benefit.

Separation from service prior to eligibility for early retirement

A deferred retirement benefit is payable to a participant whose age on separation is less than normal retirement age and who has 5 years or more of contributory service at separation. The deferred retirement benefit is payable at the standard rate for a retirement benefit and commences at normal retirement age. The participant may elect to have the benefit commence at or after age 55 on the same terms as for an early retirement benefit.

A withdrawal settlement is payable to a participant separating from service before normal retirement age or on or after normal retirement age if the participant is not entitled to a future retirement benefit. The participant receives his or her own contributions increased by 10 per cent for each year of contributory service in excess of five years, to a maximum increase of 100 per cent.

1.7 Disability benefit

A disability benefit is payable to a participant incapacitated for further service for a period likely to be permanent or of long duration.

The disability benefit is payable at the standard or minimum annual rate for a retirement benefit if the participant has reached at least normal retirement age at the time of disability. If the participant is under normal retirement age, it is payable at the rate of the retirement benefit to which the participant would have been entitled if he or she had remained in service until normal retirement age and his or her final average remuneration had remained unchanged.

The annual rate of the benefit shall, notwithstanding the foregoing, not be less, when no other benefit is payable on the account of the participant, than the smaller of $500 [increased to $2,741.04 under the Fund's pension adjustment system, with effect from 1 April 2014, subject to subsequent adjustments in accordance with the movement of the United States consumer price index under the pension adjustment system] or the final average remuneration of the participant.

1.8 Survivor's benefit

A benefit is payable to a surviving spouse of a participant who was entitled to a retirement, early retirement, deferred retirement or disability benefit at the date of his or her death, or who died in service if they were married at the time of separation and remained married at the time of death. Certain limitations on eligibility apply in cases of divorced surviving spouses. The surviving spouse's benefit is generally payable at half the amount of the participant's retirement or disability benefit and is subject to certain minimum levels.

1.9 Child's benefit

A child's benefit is payable to each child under the age of 21 of a participant who is entitled to a retirement, early retirement, or disability benefit, or who has died in service, while the child remains under the age of 21. The benefit may also be payable in certain circumstances to a child who is over the age of 21, such as when the child is found to have been incapacitated for substantial gainful employment. The child's benefit for each child is generally one third of any retirement or disability benefit due to a participant or that would have been due in the case of a participant who died in service, subject to certain minimum amounts and limited in maximum amount. In addition, there are certain total maximum amounts that apply in cases of multiple children of the same participant.

1.10 Other benefits

Other benefits include the secondary dependants' benefit and the residual settlement benefit. A full description of these benefits is available in the Regulations and Rules of the Fund.

1.11 Pension adjustment system

The provisions of the Fund's pension adjustment system provide for periodic cost-of-living adjustments in benefits. In addition, for participants who retire in a country whose currency is not the United States dollar, the current pension adjustment system is intended to ensure that, subject to certain minimum and maximum provisions, a periodic benefit never falls below the "real" value of its United States dollar amount, as determined under the Regulations and Rules of the Fund and the pension adjustment system, and preserves its purchasing power as initially established in the currency of the recipient's country of residence. This is achieved by establishing a dollar base amount and a local currency base amount (the two-track system).

The "real" value of a United States dollar amount is that amount adjusted over time for movements of the United States consumer price index, while the purchasing power of a recipient's benefit, once established in local currency, is preserved by adjusting it to follow movements of the consumer price index in the recipient's country of residence.

1.12 Funding policy

As a condition of participation in the United Nations Joint Staff Pension Fund, participants are required to contribute 7.9 per cent of their pensionable remuneration to the plan. They earn interest at a rate of 3.25 per cent per year in accordance with article 11 (c) of the Regulations of the Fund. The participants' contributions for the years ended 31 December 2014 and 31 December 2013 were $757 million and $737 million, respectively. The contribution figures do not include interest on the contributions.

The member organizations' funding policy is to make contributions on an estimated monthly basis and then to reconcile these estimated amounts in an annual year-end process. The member organizations' contributions are also expressed as a percentage of the participants' pensionable remuneration as defined in article 54 of the Regulations of the Fund. The member organizations' contribution rate is currently 15.8 per cent; these contributions to the Fund totalled $1,503 million and $1,465 million during calendar years 2014 and 2013, respectively. When combined with the participants' contributions and expected investments returns, total funding is estimated to be sufficient to provide for all employees' benefits by the time they retire.

The assets of the Fund are derived from:

(a) The contributions of the participants;

(b) The contributions of the member organizations;

(c) The yield from the investments of the Fund;

(d) Deficiency payments, if any, under article 26;

(e) Receipts from any other source.

1.13 Plan termination terms

Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Board, following application for termination by a member organization or continued default by an organization in its obligations under the Regulations of the Fund.

In the event of such termination, a proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund on such date, pursuant to an arrangement mutually agreed between such organization and the Board.

The amount of the proportionate share shall be determined by the Board after an actuarial valuation of the assets and liabilities of the Fund.

In the event that an actuarial valuation of the Fund shows that its assets may not be sufficient to meet its liabilities under the Regulations of the Fund, there shall be paid into the Fund by each member organization the sum necessary to make good the deficiency.

Each member organization shall contribute to this sum an amount proportionate to the total contributions which each paid under article 25 during the three years preceding the valuation date.

The contribution of an organization admitted to membership less than three years prior to the valuation date shall be determined by the Board.

1.14 Changes in funding policy and plan termination terms during the reporting period

There were no changes in the funding policy and plan termination terms during the reporting period.

2. General information

2.1 Basis of the presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board. The Pension Fund adopted IPSAS as at 1 January 2012. This also specifically included the adoption of International Financial Reporting Standards International Accounting Standard 26, Accounting and reporting by retirement benefit plans. While the Standard provides accounting guidance, it also offers direction on the presentation of financial statements, as it requires the presentation of a statement of net assets available for benefits and a statement of changes in net assets available for benefits. As the Pension Fund has incorporated the guidance in Standard 26 into its financial policies, its financial statements presentation is based on this guidance. Additional information is presented where requested by IPSAS standards, as, for instance, IPSAS 24, Presentation of budget information in financial statements. As required by IPSAS 24, the Fund has included in its financial statements a comparison of budget and actual amounts on a comparable basis (see schedule) and a reconciliation between the schedule and actual amounts on an accrual basis (see note 23). While IPSAS 24 provides that the actual on a comparable basis should be reconciled to the cash flows from operating, investing and financing activities, management has decided to reconcile these amounts to the administrative expenses recognized in the statement of changes in net assets. This is due to the fact that the Fund does not include a cash flow statement in its financial statements and because the Fund's budget is limited to the administrative expenses incurred in a biennium.

The financial statements are prepared on an annual basis and all values are rounded to the nearest thousand United States dollars, except where otherwise indicated.

2.2 Standards, interpretations and amendments issued but not yet effective

In January 2015 the International Public Sector Accounting Standards Board issued the following standards:

IPSAS 34, Separate financial statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. The standard is effective for the annual reporting period beginning on or after 1 January 2017. Earlier adoption is permitted. The Fund is currently evaluating the impact of the adoption of this accounting standard on its financial statements;

IPSAS 35, Consolidated financial statements. IPSAS 35 supersedes the requirements in IPSAS 6 regarding consolidated financial statements. It establishes a single control model that applies to all entities, including special purpose entities. In addition, IPSAS 35 includes an exception from consolidation for entities which meet the definition of an investment entity and requires such entities to recognize all investments at fair value through profit or loss. The standard is effective for the annual reporting period beginning on or after 1 January 2017. Earlier adoption is permitted. The Fund is currently evaluating the impact of the adoption of this accounting standard on its financial statements;

IPSAS 36, Investments in associates and joint ventures. IPSAS 36 explains the application of the equity method of accounting, which is used to account for investments in associates and joint ventures. The standard is effective for the annual reporting period beginning on or after 1 January 2017. Earlier adoption is permitted. The Fund is currently evaluating the impact of the adoption of this accounting standard on its financial statements;

IPSAS 37, Joint arrangements. IPSAS 37 establishes requirements for classifying joint arrangements and accounting for those different types of joint arrangements. The standard is effective for the annual reporting period beginning on or after 1 January 2017. Earlier adoption is permitted. The Fund is currently evaluating the impact of the adoption of this accounting standard on its financial statements;

IPSAS 38, Disclosure of interests in other entities. IPSAS 38 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IPSAS 38 are more comprehensive than the previous disclosure requirements. The standard is effective for the annual reporting period beginning on or after 1 January 2017. Earlier adoption is permitted. The Fund is currently evaluating the impact of the adoption of this accounting standard on its financial statements.

Other accounting standards that have been issued or proposed by the International Public Sector Accounting Standards Board are expected not to have an impact or to have a minimal impact on the Fund's financial statements.

2.3 Other general information

The Fund compiles its financial statements, which consist of data collected from three main areas. For operational activities (contributions and payment of benefits), the Fund maintains its own records and systems. For investment activities, the Fund receives a monthly general ledger feed from the independent master record keeper, collected and reconciled from source data provided by the Investment Management Division, global custodians and fund managers. For its administrative expenses, the Fund utilizes United Nations systems (IMIS) to record and compile its administrative expense activity. The information provided by IMIS is provided on a modified cash basis and subsequently reworked to a full accrual basis by the Fund. Some of the administrative expenses of the Fund, including costs associated with the administrative tasks of the United Nations Staff Pension Committee, are reimbursed by the United Nations under the terms of a cost-sharing arrangement. Consequently, the Fund has decided to reflect the reimbursement by the United Nations as a reduction of its administrative expenses, subsequently converted in full accrual accounting in accordance with IPSAS requirements.

3. Significant accounting policies

3.1 Cash and cash equivalents

Cash and cash equivalents are held at nominal value and include cash on hand, cash held with external managers, and short-term highly liquid time deposits held with financial institutions with maturities of three months or less from the date of acquisition.

The Fund's cash flows are generated from or used for investment activity, participants and member organizations, benefit payments and administrative costs. Investment inflows arise primarily from the sale of investments, interest and dividend income. Contributions from participants and member organizations also contribute to cash inflows. The Fund's cash outflows from investment activity arise from the purchase of investments. Payments to retirees, primarily for retirement benefits, also constitute significant cash outflows. Administrative expenses for the secretariat and the Investment Management Division consist mainly of staff costs, travel, training, advisory and custodial services, computer and consulting costs, rentals of premises and bank charges, and contribute to fund outflows. The Fund will be providing cash flow statements for the years ending 31 December 2014 and 2015 as part of the financial statements presented for the year ending 31 December 2015 onward.

3.2 Investments

3.2.1 Classification of investments

All investments of the Fund are designated at fair value through surplus and deficit. Consequently, the Fund's investments are carried and reported at fair value on the statement of net assets available for benefits, with changes in fair value recognized in the statement of changes in net assets available for benefits. Purchases and sales of securities are recorded on a trade date basis. The designation and classification of the investments are carried out at initial recognition and reassessed at each reporting date.

Any transaction costs arising as part of an investment trade designated at fair value are expensed and recognized in the statement of changes in net assets.

The Fund classifies its investments in the following categories:

- Short-term investments (including fixed-income investments maturing more than three months but less than one year from the date of acquisition)
- Equities (including exchange-traded funds, common and preferred stocks, stapled securities and publicly traded real estate investment trusts)
- Fixed income (fixed-income investments maturing more than a year from the date of acquisition)
- Real assets (including investments in funds where the underlying assets are real assets, such as real properties, infrastructure assets, timber and agriculture)
- Alternative and other investments (including investments in private equity, commodity and hedge funds).

3.2.2 *Valuation of financial instruments*

The Fund uses the established and documented process of its master record keeper for determining fair values, which is reviewed and validated by the Fund at the reporting date. Fair value is based on quoted market prices, where available. If fair value is not available, valuation techniques are used.

Investments in commingled funds, private equity and private real estate investment funds are usually not quoted in an active market and therefore may not have a readily determinable fair market value. However, the fund managers generally report investments of the funds on a fair value basis. Therefore, the Fund determines fair value using the net asset value information as reported by the investee fund managers in the latest available quarterly capital account statements. Where the fourth quarter capital account statements or estimated net asset value are not received by the time the Fund's financial statements are prepared, the fair value is calculated based on the third quarter net asset value reported by the investee fund managers adjusted by any cash flows in the fourth quarter. For financial assets and liabilities not designated at fair value through surplus and deficit, the carrying value approximates fair value.

Interest and dividend income

Interest income is recognized on a time-proportionate basis. It includes interest income from cash and cash equivalents, short-term and fixed-income investments.

Dividend income is recognized on ex-dividend date, when the right to receive payment is established.

3.2.3 *Income from real assets and alternative investments*

Income distributed from unitized funds is treated as income in the period in which it is earned.

3.2.4 *Receivable/payable from/to investments traded*

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the statement of net assets available for benefits. These amounts are recognized at the amounts expected to be paid or received to settle the balances. Distribution from real assets and alternative fund investments declared but not received prior to year-end is also included under receivables from investments traded.

Impairment of receivables from investments traded is recorded when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganization and default in payments are considered indicators that the receivables from investments traded are impaired.

3.3 Tax status and withholding tax receivables

The Fund is exempt from national taxation of Member States on the Fund's direct investments in accordance with Article 105 of the Charter of the United Nations and with article II, section 7 (a), of the 1946 Convention on the Privileges and Immunities of the United Nations. While some Member States grant relief at source for the Fund's income from investments, others withhold taxes at the time dividends are paid. In such instances, the Fund's custodian banks file claims to the governmental taxing authorities for a refund on behalf of the Fund. Although these Member States have confirmed the Fund's tax-exempt status, some countries, including Brazil, China and Turkey, have no formal tax reclamation mechanism in place. The Fund's global custodians and/or subcustodians have thus far been unable to file and/or reclaim the taxes withheld. The Fund continues its efforts to inform the representatives of such jurisdictions about its tax-exempt status with the objective of accelerating the implementation of tax reclamation procedures. Taxes withheld on direct investments in the jurisdictions cited above are accrued and fully provided for in 2014.

The Fund measures its withholding tax receivable at the amount deemed to be recoverable.

For the purposes of disclosure, the tax balances are recorded under withholding tax receivable in the statement of net assets available for benefits. Any amount considered to be unrecoverable is recognized in the statement of changes in net assets available for benefits and is included under withholding tax expense.

3.4 Critical accounting estimates

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Fair value of financial instruments

The Fund may hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined by using valuation techniques.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed and modified, as required. Valuation models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

Fair value of financial instruments not quoted in an active market may also be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Fund exercises judgement on the quantity and quality of pricing sources used. Where no market data is available, the Fund may value financial instruments using internal valuation models, which are usually based on valuation methods and techniques generally recognized as standard within the industry.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed and modified, as required.

Valuation models are created using observable data to the extent practicable. However, areas such as credit risk (both the Fund and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes "observable" requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on withholding tax. Given the wide range of international investments, differences arising between the actual income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded.

Impairment

Annual review to assess potential impairment is another area where the Fund exercises significant judgement.

Bad debt provision for the Fund's non-investment-related receivables

A provision is established to properly reflect the accurate position of the accounts receivable, for all non-performing overpayments of pension benefits that are two years or older as at the respective year-end date of the financial statements.

Actuarial assumptions

Disclosure note 20 contains information on assumptions used for actuarial purposes.

3.5 Contributions

Contributions are recorded on an accrual basis. Participants and their employing member organizations are required to contribute 7.9 per cent and

15.8 per cent, respectively, of their pensionable remuneration to the Fund. Each month, the Fund accrues a receivable amount for contributions expected. When contributions are actually received, the receivable is offset. Contributions are due to be paid by member organizations by the second business day of the month following the month to which the contributions relate. The contributions vary based on changes in the number of participants, in the distribution of participants, in pensionable remuneration rates as a result of cost-of-living increases determined by the International Civil Service Commission, and the yearly grade step-increase to the individual pensionable remuneration received by all participants.

3.6 Benefits

Payments of benefits, including withdrawal settlements, are recorded on an accrual basis. The right to a benefit is generally forfeited if, for two years (withdrawal settlement or residual settlement) or five years (retirement, early retirement, deferred retirement or disability benefit) after payment has been due, the beneficiary has failed to submit payment instructions or has failed or refused to accept payment.

3.7 Accounting for non-United States dollar denominated currency translations and balances

Non-United States dollar denominated currency transactions are translated using the spot exchange rate between the functional currency and the non-United States dollar denominated currency at the date of the transaction.

At each reporting date non-United States dollar denominated monetary items are translated using the closing spot rate. Exchange differences arising on settling these monetary items or on translating these monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the change in net assets available for benefits in the period in which they arise.

3.8 Leases

All of the Fund's leases are categorized as operating leases. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

3.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. All assets acquired for a cost of $20,000 and above will be capitalized. The Fund reviews this threshold annually for reasonableness. The Fund owns no land or buildings.

Depreciation is provided for property, plant and equipment over their estimated useful life using the straight-line method. The estimated useful lives for property, plant and equipment classes are as follows:

Class	*Estimated useful life, in years*
Computer equipment	4
Office equipment	4
Office furniture	10
Office fixtures and fittings	7
Audiovisual equipment	7

Leasehold improvements are recognized as assets and valued at cost, and are depreciated over the lesser of seven years or the lease term. Impairment reviews are undertaken if indicators of impairment exist.

3.10 Intangible assets

Intangible assets are capitalized if their cost exceeds the threshold of $20,000, with the exception of internally developed software, where the threshold is $50,000. The capitalized cost of internally developed software excludes those costs related to research and maintenance. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Amortization is recognized over the estimated useful life using the straight-line method. The estimated useful lives for intangible asset classes are as follows:

Class	*Estimated useful life, in years*
Software acquired externally	3
Licences and rights, copyrights and other intangible assets	Shorter of 3 years or the life of the asset

3.11 Emergency Fund

The appropriation is recorded when the authorization is approved by the General Assembly. Participants wishing to avail themselves of this benefit apply to the Fund. After review and authorization, approved amounts are paid to the participant. Payments are charged directly against the appropriation account and any unexpended balance reverts to the Fund at the end of the year. Current expenditure for the year is reported in the statement of changes in net assets available for benefits.

3.12 Provisions and contingent liabilities

Provisions are made for future liabilities and charges where the Fund has a present legal or constructive obligation as a result of past events and it is probable that the Fund will be required to settle the obligation.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Fund.

3.13 Employee benefits

Among certain short-term and other long-term benefits, the Fund provides its employees with certain post-employment benefits.

After-service health insurance, the repatriation grant and the death benefit are classified as defined benefit schemes and accounted for as such.

The employees of the Fund are themselves participating in the United Nations Joint Staff Pension Fund. While the Fund is a defined benefit scheme, it has been classified as a multi-employer fund. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. The Fund, in line with the other organizations participating in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The Fund's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

3.14 Reconciliation of budget information

The Fund's budget is prepared on a modified cash basis and the financial statements on an accrual basis.

The General Assembly approves the biennial budget for the Fund's administrative expenses. Budgets may be subsequently amended by the Assembly or through the exercise of delegated authority.

As required by IPSAS 24, the schedule entitled "Statement of comparison of budget and actual amounts in relation to administrative expenses for the year ended 31 December 2014" provides a comparison of budget and actual on a comparable basis. The comparison includes: the original and final budget amounts; the actual amounts on the same basis as the corresponding budgetary amounts; and an explanation of material differences (> +/-10 per cent) between the actual and budget amounts.

Note 23 provides a reconciliation of actual amounts presented on the same basis as the budget and actual amounts included in the IPSAS financial statements.

3.15 Related party transactions

Parties are considered to be related when one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

The following parties are considered related parties for the Pension Fund:

(a) Key management personnel: the Chief Executive Officer; the Representative of the Secretary-General; the Deputy Chief Executive Officer; the Director of Investment Management Division; and the Chief Financial Officer;

(b) The General Assembly;

(c) The 23 member organizations participating in the Fund;

(d) The International Computing Centre.

A summary of the relationship and transactions with the above parties is given in note 25.

3.16 Subsequent events

Any information that is received after the reporting period but before the financial statements are issued about conditions that existed at the date of the statement of net assets available for benefits is incorporated in the financial statements.

In addition, any event that occurs after the date of the statement of net assets available for benefits but before the financial statements are published that is material to the Fund will be disclosed in the notes to the financial statements.

4. Reclassification and comparative figures

In 2014 small capitalization fund management fees amounting to $8.65 million for the year ended 31 December 2013 have been reclassified from administrative expenses to transaction costs and management fees for the 2013 financial statements to enhance comparability with the 2014 financial statements following the Fund's approach to exclude these fees from the administrative expenses budget for the biennium 2014-2015.

As a result, certain line items have been amended in the statement of changes in net assets available for benefits and the related notes to the financial statements. All comparative figures have been adjusted to conform to the current year's classification. This reclassification has no impact on the changes in net assets available for benefits and the net assets available for benefits.

The net zero effect of the change is summarized below:

(Thousands of United States dollars)

	Previously reported (2013)	*After reclassification (2013)*
Statement of changes in net assets available for benefits		
Transaction costs and management fees	(101 548)	(110 201)
Administrative expenses		
Small capitalization fund management fees	(8 653)	–

5. Cash and cash equivalents

Cash and cash equivalents include the following:

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Cash on hand	2 073 148	1 968 037
Cash held by external managers	37 736	37 853
Total	**2 110 884**	**2 005 890**

6. Financial instruments by category

The following tables provide an overview of all financial instruments held, by category:[a]

(Thousands of United States dollars)

As at 31 December 2014	*Financial instruments at fair value*	*Loans and receivables*	*Other financial liabilities*
Financial assets as per statement of net assets available for benefits			
Cash and cash equivalents	2 110 884	–	–
Investments			
Short-term investments	–	–	–
Equities	33 616 919	–	–
Fixed income	12 830 186	–	–
Real assets	2 764 409	–	–
Alternative and other investments	1 523 766	–	–
Contributions receivable	–	39 283	–
Accrued income from investments	–	155 645	–
Receivable from investments traded	–	16 319	–
Withholding tax receivables	–	8 782	–
Other assets	–	18 074	–
Total financial assets	**52 846 164**	**238 103**	**–**
Financial liabilities as per statement of net assets available for benefits			
Benefits payable	–	–	68 691
Payable from investments traded	–	–	44 710
After-service health insurance and other employee benefits payable	–	–	76 992
Other accruals and liabilities	–	–	26 962
Total financial liabilities	**–**	**–**	**217 355**

[a] Non-financial assets and liabilities are excluded from the table, as this analysis is required only for financial instruments.

And as at 31 December 2013:

(Thousands of United States dollars)

As at 31 December 2013	*Financial instruments at fair value*	*Loans and receivables*	*Other financial liabilities*
Financial assets as per statement of net assets available for benefits			
Cash and cash equivalents	2 005 890	–	–
Investments			
Short-term investments	47 478	–	–
Equities	33 492 217	–	–
Fixed income	12 219 906	–	–
Real assets	2 400 046	–	–
Alternative and other investments	1 184 413	–	–
Contributions receivable	–	34 309	–
Accrued income from investments	–	163 466	–
Receivable from investments traded	–	18 413	–
Withholding tax receivables	–	9 355	–
Other assets	–	38 663	–
Total financial assets	**51 349 950**	**264 206**	**–**
Financial liabilities as per statement of net assets available for benefits			
Benefits payable	–	–	60 493
Payable from investments traded	–	–	14 513
After-service health insurance and other employee benefits payable	–	–	56 319
Other accruals and liabilities	–	–	24 397
Total financial liabilities	**–**	**–**	**155 722**

In addition, there were no investments representing 5 per cent or more of equities and fixed income as at 31 December 2014. The Fund held a total of $328.4 million in two real estate funds as at 31 December 2014, which represented 5 per cent or more of real asset class. The Fund also held investments of $519.9 million in one hedge fund and $104.6 million in one private equity fund, which represented 5 per cent or more of the alternative and other investments category.

Moreover, there were no investments representing 5 per cent or more of equities and fixed income as at 31 December 2013. The Fund held a total of $300.8 million in two real estate funds as at 31 December 2013, which represented 5 per cent or more of real asset class. The Fund also held investments amounting to $482.8 million in one hedge fund, $84.3 million in one commodity fund and $98.3 million in one limited partnership, which represented 5 per cent or more of the alternative and other investments category.

7. Fair value measurement

IPSAS establishes a three-level fair value hierarchy under which financial instruments are categorized based on the significance of inputs to the valuation technique. Level 1 includes those securities where unadjusted quoted prices are available in active markets for identical assets or liabilities. Level 2 includes those securities where inputs other than quoted prices included within level 1 are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 includes those securities where inputs for the asset or liability are not based on observable market data (that is, unobservable inputs). The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level of information that is significant to the fair value measurement. If a fair value measurement of an investment uses observable inputs that require significant adjustment based on unobservable inputs, that investment is classified as level 3.

Assessing the significance of a particular input to the fair value measurement of an investment in its entirety requires judgement, considering factors specific to the investment.

The following tables present the fair value hierarchy of the Fund's investments (by asset class) measured at fair value as at 31 December 2014 and 31 December 2013.

(Thousands of United States dollars)

Hierarchy disclosure as at 31 December 2014				
	Level			
	1	*2*	*3*	*Total*
Short-term investments	–	–	–	–
Equities				
Common and preferred stock	30 429 734	7 477	–	30 437 211
Funds — exchange-traded funds	2 392 095	–	–	2 392 095
Real estate investment trusts	547 048	–	–	547 048
Funds — common stock	–	–	214 878	214 878
Unit trust equity	–	–	–	–
Stapled securities	25 687	–	–	25 687
Total equities	**33 394 564**	**7 477**	**214 878**	**33 616 919**
Fixed income				
Government and agencies securities	–	8 448 941	195 761	8 644 702
Corporate bonds	–	3 459 244	37 712	3 496 956
Municipal/provincial bonds	–	497 234	–	497 234
Commercial mortgage-backed	–	144 999	–	144 999
Funds — corporate bond	–	–	46 295	46 295
Guaranteed fixed income	–	–	–	–
Total fixed income	**–**	**12 550 418**	**279 768**	**12 830 186**

Hierarchy disclosure as at 31 December 2014				
	Level			
	1	*2*	*3*	*Total*
Real assets				
Real estate funds	–	156 305	2 512 320	2 668 625
Infrastructure assets	–	–	78 843	78 843
Timberlands	–	–	16 941	16 941
Total real assets	**–**	**156 305**	**2 608 104**	**2 764 409**
Alternatives and other investments				
Hedge funds	–	519 882	–	519 882
Private equity	–	–	864 947	864 947
Commodity funds	–	–	138 937	138 937
Total alternatives and other investments	**–**	**519 882**	**1 003 884**	**1 523 766**
Total	**33 394 564**	**13 234 082**	**4 106 634**	**50 735 280**

(Thousands of United States dollars)

Hierarchy disclosure as at 31 December 2013				
	Level			
	1	*2*	*3*	*Total*
Short-term investments	–	47 478	–	**47 478**
Equities				
Common and preferred stock	30 407 707	–	–	30 407 707
Funds — exchange/traded funds	2 509 654	–	–	2 509 654
Real estate investment trusts	340 575	–	–	340 575
Funds — common stock	–	–	155 695	155 695
Unit trust equity	–	–	54 466	54 466
Stapled securities	24 120	–	–	24 120
Total equities	**33 282 056**	**–**	**210 161**	**33 492 217**
Fixed income				
Government and agencies securities	–	9 255 984	455 344	9 711 328
Corporate bonds	–	1 814 959	92 620	1 907 579
Municipal/provincial bonds	–	397 901	–	397 901
Commercial mortgage-backed	–	136 255	–	136 255
Funds — corporate bond	–		46 689	46 689
Guaranteed fixed income	–	20 154	–	20 154
Total fixed income	**–**	**11 625 253**	**594 653**	**12 219 906**

Hierarchy disclosure as at 31 December 2013

	Level			
	1	*2*	*3*	*Total*
Real assets				
Real estate funds	53 269	153 254	2 126 181	2 332 704
Infrastructure assets	–	–	51 102	51 102
Timberlands			16 240	16 240
Total real assets	**53 269**	**153 254**	**2 193 523**	**2 400 046**
Alternatives and other investments				
Hedge funds	–	482 812	–	482 812
Private equity	–	–	525 196	525 196
Commodity funds	–	–	176 405	176 405
Total alternatives and other investments	**–**	**482 812**	**701 601**	**1 184 413**
Total	**33 335 325**	**12 308 797**	**3 699 938**	**49 344 060**

Equities

Common and preferred stocks, exchange-traded funds, real estate investment trusts and stapled securities were classified under level 1 if bid prices were available from institutional vendors, with the exception of the investment in one depository receipt amounting to $7.5 million, which was classified under level 2, as its value was based on bid evaluation.

Common stock funds and unit trust equity funds, amounting to $214.9 million (December 2013: $210.2 million), were valued using a net asset value approach and hence classified under level 3.

Fixed income

The vast majority of the fixed income securities prices were not obtained from an active market directly, which would have led to a level 1 classification. Instead, prices were obtained through brokers' bids, which were indicative quotes and therefore classified as level 2.

Index-linked non-United States government bonds, amounting to $195.8 million (December 2013: $455.3 million), were classified as level 3, as their values were based on brokers' bid evaluations adjusted for indexing, which was generally uncorroborated market data.

Corporate bonds and corporate bond funds, amounting to $84.0 million (December 2013: $139.3 million), were considered to be level 3. Inputs for the value of these investments, while available from third-party sources, were not well defined readily observable market data. Consequently, the Fund has decided to classify such investments as level 3.

Real assets and alternatives and other investments

Real assets amounting to $2,608.1 million (December 2013: $2,193.5 million) as well as alternative and other investments amounting to $1,003.9 million (December 2013: $701.6 million) were classified as level 3, as they were priced using the net asset value methodology for which the Fund was unable to corroborate or verify using observable market data. In addition, limited options were available to the investors to redeem units, hence making the investments in such funds relatively illiquid.

Investment in a hedge fund, amounting to $519.9 million (December 2013: $482.8 million), which was readily redeemable at net asset value without penalties, was classified as level 2 assets and represented the net asset value, as reported by the fund manager.

The following table presents the inter-level transfers for the year ended 31 December 2014.

(Thousands of United States dollars)

Transfers for the year ended 2014	*Level*			
	1	*2*	*3*	*Total*
Transfers into				
Fixed income	–	70 181	–	**70 181**
Real assets	–	–	54 768	**54 768**
Alternative and other investments	–	–	–	**–**
Total	**–**	**70 181**	**54 768**	**124 949**
Transfers out of				
Fixed income	–	–	(70 181)	**(70 181)**
Real assets	(54 768)	–	–	**(54 768)**
Alternative and other investments	–	–	–	**–**
Total	**(54 768)**	**–**	**(70 181)**	**(124 949)**

The following table presents the significant transfers inter-level for the year ended 31 December 2013.

(Thousands of United States dollars)

Transfers for the year ended 2013

	Level			
	1	*2*	*3*	***Total***
Transfers into				
Debt securities	–	105 481	25 683	**131 164**
Real assets	–	157 806	–	**157 806**
Alternative and other investments	–	249 998	–	**249 998**
Total	**–**	**513 285**	**25 683**	**538 968**
Transfers out of				
Debt securities	–	(25 683)	(105 481)	**(131 164)**
Real assets	–	–	(157 806)	**(157 806)**
Alternative and other investments	–	–	(249 998)	**(249 998)**
Total	**–**	**(25 683)**	**(513 285)**	**(538 968)**

For the period ended 31 December 2014, the transfers out of level 3 into level 2, amounting to $70.2 million, were attributable to continued improvement in the liquidity of the markets trading such investments and higher transaction volumes for the underlying securities. This led to securities being priced by multiple vendors and hence more observable data being available. Investment in one real asset fund, amounting to $54.8 million, was transferred from level 1 to level 3, as this investment in 2014 was priced using the net asset value methodology.

In 2013 real asset funds amounting to $157.8 million and alternative and other investments amounting to $250.0 million were transferred from level 3 to level 2, as significant redemption of units occurred throughout the year, evidencing liquidity in the Fund.

The following tables present the movements in level 3 instruments for the period ended 31 December 2014 by class of financial instrument.

(Thousands of United States dollars)

	Level 3 instruments movements, 2014				
	Equities	*Fixed income*	*Real assets*	*Alternative and other investments*	***Total***
Opening balance	210 161	594 653	2 193 523	701 601	**3 699 938**
Purchases	68 398	18 597	571 656	389 874	**1 048 525**
Sales/return of capital	(20 000)	(236 740)	(471 444)	(105 856)	**(834 040)**
Transfers (out of)/into level 3	–	(70 181)	54 768	–	**(15 413)**
Net gains and losses recognized in the statement of changes in net assets available for benefits	(43 681)	(26 561)	259 601	18 265	**207 624**
Closing balance	**214 878**	**279 768**	**2 608 104**	**1 003 884**	**4 106 634**
Change in unrealized gains and losses for level 3 assets held at the period end and included in statements of changes in net assets available for benefits	(44 145)	(27 516)	185 427	46 509	**160 275**

The following tables present the movements in level 3 instruments for the period ended 31 December 2013 by class of financial instrument.

(Thousands of United States dollars)

	Level 3 instruments movements, 2013				
	Equities	*Fixed income*	*Real assets*	*Alternative and other investments*	***Total***
Opening balance	248 964	801 272	2 033 761	701 302	**3 785 299**
Purchases	2 924	44 766	480 028	284 558	**812 276**
Sales/return of capital	(105 806)	(116 569)	(354 870)	(51 503)	**(628 748)**
Transfers out of level 3	–	(79 798)	(157 806)	(249 998)	**(487 602)**
Net gains and losses recognized in the statement of changes in net assets available for benefits	64 079	(55 018)	192 410	17 242	**218 713**
Closing balance	**210 161**	**594 653**	**2 193 523**	**701 601**	**3 699 938**
Change in unrealized gains and losses for level 3 assets held at the period end and included in statements of changes in net assets available for benefits	57 415	(85 952)	204 364	41 640	**217 467**

8. Accrued income from investments

Accrued income from investments is income earned during the year which has yet to be received as at the date of the statement of net assets available for benefits. Accrued income from temporary investments derives mainly from interest earned on cash balances.

(Thousands of United States dollars)

Investments	*Accrued income from investments*	
	31 December 2014	*31 December 2013*
Cash and cash equivalents	287	36
Fixed-income securities	112 617	127 339
Dividends receivable on equities	39 598	33 673
Real assets and alternative investments	3 143	2 418
Total	**155 645**	**163 466**

9. Withholding tax receivables

The outstanding balances of withholding income taxes as at 31 December 2014 and 31 December 2013 can be broken down as follows:

Country	Currency	Denominated in local currency				Foreign exchange rate	Equivalent in	Tax amount deemed not recoverable	Recoverable withholding tax amount
		Prior to 2013	2013	2014	Total as at 31 December 2014		Thousands of United States dollars		
Australia	Australian dollar	–	92 371	86 587	178 958	1.221971	146	–	146
Austria	Euro	–	6 575	24 827	31 402	0.826412	38	–	38
Brazil	Brazilian real	1 461 428	150 623	–	1 612 051	2.658200	606	(606)	–
Canada	United States dollar	–	13 963	–	13 963	1.000000	14	–	14
China	Hong Kong dollar	40 499 942	12 640 198	10 995 424	64 135 564	7.754850	8 270	(7 987)	283
Greece	Euro	98 632	–	–	98 632	0.826412	119	–	119
Malaysia	Malaysian ringgit	308 398	361 035	–	669 433	3.496500	192	–	192
Netherlands	Euro	–	126 773	143 288	270 061	0.826412	327	–	327
Russian Federation	United States dollar	44 584	–	87 770	132 354	1.000000	132	–	132
Singapore	Singapore dollar	51 781	–	–	51 781	1.325100	39	–	39
Spain	Euro	–	–	455 971	455 971	0.826412	552	–	552
Sweden	Euro	26 819	–	–	26 819	0.826412	32	–	32
Switzerland	Swiss franc	–	–	4 256 933	4 256 933	0.993650	4 284	–	4 284
	Euro	–	–	7 951	7 951	0.826412	10	–	10
Turkey	Turkish lira	1 386 403	–	–	1 386 403	2.337750	593	(593)	–
United Kingdom of Great Britain and Northern Ireland	Pound sterling	–	–	25 121	25 121	0.641334	39	–	39
	Euro	–	928 180	1 199 657	2 127 837	0.826412	2 575	–	2 575
United States of America	United States dollar	–	–	–	–	1.000000	–	–	–
Withholding tax receivable net of provision							**17 968**	**(9 186)**	**8 782**

		Denominated in local currency					Equivalent in	Tax amount deemed not recoverable	Recoverable withholding tax amount
Country	*Currency*	*Prior to 2012*	*2012*	*2013*	*Total as at 31 December 2013*	*Foreign exchange rate*	*Thousands of United States dollars*		
Australia	Australian dollar	–	–	92 371	92 371	1.117756	83	–	83
Austria	Euro	–	–	6 575	6 575	0.725716	9	–	9
Brazil	Brazilian real	1 317 527	143 901	150 623	1 612 051	2.359250	683	(683)	–
Canada	United States dollar	–	–	13 963	13 963	1.000000	14	–	14
China	Hong Kong dollar	28 261 481	13 068 448	14 398 321	55 728 251	7.753750	7 188	(6 694)	494
Greece	Euro	98 632	–	–	98 632	0.725716	136	–	136
Malaysia	Malaysian ringgit	308 398	–	361 035	669 433	3.275500	204	–	204
Netherlands	Euro	–	–	375 451	375 451	0.725716	517	–	517
Russian Federation	United States dollar	90 090	–	–	90 090	1.000000	90	–	90
Singapore	Singapore dollar	51 781	–	–	51 781	1.262600	41	–	41
Spain	Euro	–	–	–	–	0.725716	–	–	–
Sweden	Euro	26 819	–	–	26 819	0.725716	37	–	37
Switzerland	Swiss franc	–	–	5 079 475	5 079 475	0.889350	5 712	–	5 712
	Euro	–	5 675	6 048	11 723	0.725716	16	–	16
Turkey	Turkish lira	1 016 981	369 422	–	1 386 403	2.148500	645	(645)	–
United Kingdom of Great Britain and Northern Ireland	Pound sterling	–	129 698	75 138	204 836	0.603774	339	–	339
	Euro	–	–	1 178 020	1 178 020	0.725716	1 623	–	1 623
United States of America	United States dollar	–	–	39 900	39 900	1.000000	40	–	40
Withholding tax receivable net of provision							**17 377**	**(8 022)**	**9 355**

10. Other assets

The other assets included in the statement of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Advance payment on security purchase	–	20 000
Prepaid benefits and benefits receivable	14 865	15 885
Property, plant and equipment	3 004	3 809
Intangible assets in use	211	888
Intangible assets under development	13 357	9 623
United Nations receivables	2 862	2 430
Other receivables	347	348
Total	**34 646**	**52 983**

10.1 Prepaid benefits and benefits receivable

An overview of the prepayments and other accounts receivable held by the Fund is as follows:

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Prepaid benefits	11 470	12 790
Prepayments	348	277
Benefits receivable	6 323	5 549
Benefits receivable — provision	(3 276)	(2 731)
Total	**14 865**	**15 885**

10.2 Property, plant and equipment

An overview of the fixed assets held by the Fund is as follows:

(Thousands of United States dollars)

	Information technology equipment	*Leasehold improvements*	***Total***
Cost			
1 January 2014	4 778	10 880	**15 658**
Additions	360	–	**360**
Disposals	(353)	–	**(353)**
31 December 2014	4 785	10 880	**15 665**
Accumulated depreciation			
1 January 2014	4 114	7 735	**11 849**
Depreciation	495	670	**1 165**
Disposals	(353)	–	**(353)**
31 December 2014	4 256	8 405	**12 661**
Net book value			
31 December 2014	**529**	**2 475**	**3 004**

(Thousands of United States dollars)

	Information technology equipment	*Leasehold improvements*	***Total***
Cost			
1 January 2013	4 778	10 880	**15 658**
Additions	–	–	**–**
31 December 2013	4 778	10 880	**15 658**
Accumulated depreciation			
1 January 2013	3 499	7 066	**10 565**
Depreciation	615	669	**1 284**
31 December 2013	4 114	7 735	**11 849**
Net book value			
31 December 2013	**664**	**3 145**	**3 809**

The leasehold improvements included above relate to the Fund's improvements to its offices in New York.

10.3 Intangible assets

The intangible assets amount included in the statement of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	Intangible assets in use	*Under construction*	***Total***
Cost			
1 January 2014	2 891	9 623	**12 514**
Additions	52	3 897	**3 949**
Transfers	163	(163)	**–**
Disposals	(847)	–	**(847)**
31 December 2014	2 259	13 357	**15 616**
Accumulated amortization			
1 January 2014	2 003	–	**2 003**
Amortization charge	328	–	**328**
Disposals	(282)	–	**(282)**
31 December 2014	2 049	–	**2 049**
Net book value			
31 December 2014	**210**	**13 357**	**13 567**

(Thousands of United States dollars)

	Intangible assets in use	*Under construction*	***Total***
Cost			
1 January 2013	1 774	5 916	**7 690**
Additions	60	4 886	**4 946**
Transfers	1 057	(1 057)	**–**
Impairments	–	(122)	**(122)**
31 December 2013	2 891	9 623	**12 514**
Accumulated amortization			
1 January 2013	1 335	–	**1 335**
Amortization charge	668	–	**668**
31 December 2013	2 003	–	**2 003**
Net book value			
31 December 2013	**888**	**9 623**	**10 511**

The costs incurred for assets under construction relate mainly to the customization of the software development for the integrated pension administration system interface project. The disposal of $0.8 million is related to the Murex system, which was decommissioned in 2014.

11. Benefits payable

The amount shown in the statement of net assets can be broken down as follows:

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Withdrawal settlements	11 144	16 749
Lump sum payments	24 770	17 371
Periodic benefit payable	31 023	24 664
Other benefits payables	1 754	1 709
Total	**68 691**	**60 493**

12. After-service health insurance and other employee benefits

A breakdown of the after-service health insurance and other benefits payable amount shown in the statement of net assets is as follows:

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
After-service health insurance actuarial liability	68 717	51 174
Repatriation grant and related costs	2 723	2 365
Education grant and related costs	271	256
Death benefit	106	96
Annual leave	4 938	2 204
Home leave	237	224
Total	**76 992**	**56 319**

After-service health insurance, annual leave, repatriation grants and death benefit liability

The Pension Fund provides its employees, who have met certain eligibility requirements, with the following after-service and end-of-service benefits:

- Health-care benefit after they retire. This benefit is referred to as after-service health insurance
- Repatriation benefit to facilitate the relocation of expatriate staff members
- Annual leave benefit to provide staff members with periods of time off from work at full pay for personal reasons and for purposes of health, rest and recreation. Upon separation from service, staff members who have accrued unused annual leave will be paid for each day of unused leave up to a maximum of 60 days
- Death benefit payable in case of death in service to any dependants

The liabilities as at 31 December 2014 are the result of the roll-forward to 31 December 2014 of the end-of-service benefits obligations as at 1 January 2014 for the Fund by the consulting actuary and:

- Health insurance premium and contribution data provided by the United Nations

- Actual retiree claims experience under health insurance plans
- Estimated travel and shipment costs and annual leave balances reported by the United Nations in the census data
- Various economic, demographic and other actuarial assumptions
- Generally accepted actuarial methods and procedures

The key assumptions in the calculation of after-service liabilities are the discount rate and health-care trend rates. The discount rate is based on the "spot" rate that reflects the market expectations at the time of the calculations to meet future expected benefit payments, based on high quality bonds. The discount rate is then the equivalent single rate that would produce the same liability as the full spot curve using the multiple bonds necessary to meet the future cash flow expectations. For 31 December 2014, the single equivalent discount rates were selected and determined by the Fund, as follows:

- 3.50 per cent for the after-service health insurance scheme
- 3.42 per cent for repatriation benefits
- 3.45 per cent for annual leave
- 3.13 per cent for death benefits

For the calculations as at 31 December 2013, the single equivalent discount rates were as follows:

- 4.52 per cent for the after-service health insurance scheme
- 4.32 per cent for repatriation benefits
- 4.28 per cent for annual leave
- 3.83 per cent for death benefits

For comparison purposes, the table below shows the percentage change owing to a change of 1 per cent in the discount rate.

	Impact on accrued liability			
Discount rate	*After-service health insurance*	*Repatriation benefit*	*Annual leave*	*Death benefit*
Increase of 1 per cent	19 per cent decrease	10 per cent decrease	9 per cent decrease	7 per cent decrease
Decrease of 1 per cent	24 per cent increase	12 per cent increase	10 per cent increase	8 per cent increase

In performing the roll-forward to 31 December 2014, only the financial assumptions such as the discount rates, inflation and health-care cost trend rates were reviewed as at 31 December 2014 and updated when necessary. All other assumptions remain the same as those used for the full valuation as at 31 December 2013.

Following a review of health-care cost trend rates, the consulting actuary recommended maintaining the United States and non-United States medical trend assumptions that were used for the valuation as at 31 December 2013 since no significant evolution regarding medical trend has been observed.

	31 December 2013
Non-United States medical	5.0 per cent per year
United States medical — non-Medicare	7.3 per cent, trending down to 4.5 per cent after 10 years
United States medical — Medicare	6.3 per cent, trending down to 4.5 per cent after 10 years
United States dental	5.0 per cent, trending down to 4.5 per cent after 10 years

The increase in the total after-service health insurance liabilities reported from 31 December 2013 to 31 December 2014 is due primarily to the impact of changing the actuarial assumptions, in particular the decrease in the discount rate.

Other specific key assumptions used in the calculations were as follows:

After-service health insurance

A total of 208 active staff were included in the calculation, 177 of whom are based in the United States and 31 of whom are not. A total of 70 retired staff or their surviving spouses were included in the calculation, 59 of whom are based in the United States and 11 of whom are not. In addition, two active staff and three retirees or their surviving spouses who participate in dental-only plans were included. For active staff, the average age was 45 years with 10 years of service. The average age of retirees was 68 years.

Repatriation benefits

A staff member who is appointed as international staff is eligible for the payment of a repatriation grant after one year of active service outside his or her country of nationality as long as the reason for separation is not summary dismissal or abandonment of post.

The amount ranges from 2 to 28 weeks of salary, depending on the category of employment and years of service of the eligible staff. Travel and shipment of personal effects may also be authorized to the recognized country of home leave.

For the current calculation, 57 eligible staff, with an average annual salary of $82,356, were considered.

Annual leave

Staff are entitled to accrue annual leave from the date of their appointment. Staff members who, upon separation from service, have accrued leave will be paid up to a maximum of 60 days if on a fixed-term appointment, or up to 18 days on a temporary appointment. The payment amount is calculated at 1/261 of applicable salary amounts for each unused annual leave day.

For the current calculation, 239 active staff, with an average annual salary of $98,808, were considered.

13. Other accruals and liabilities

The amount shown as other accruals and liabilities in the financial statements can be broken down as follows:

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
After-service health insurance payable to member organizations	5 746	5 795
Restoration payable	2 584	3 631
United Nations payable	8 849	11 129
Operating leases rent accrual	2 925	3 214
Audit fee accrual	194	194
Accruals for management fees and expenses	5 071	–
Other	1 593	434
Total	**26 962**	**24 397**

14. Investment income

The following table summarizes the Fund's income from investments net of transaction costs recognized during the period. Any transaction costs that can be allocated to a single transaction or trade are netted off against investment income. Examples are broker commissions, other transaction costs and management fees. Any management expense charged to the income statement of a real asset or alternative fund was recorded separately as management expenses in the Fund's statement of changes in net assets and included under transaction costs.

In some jurisdictions, the Fund receives dividend, interest and real estate income without any withholding tax. This is primarily a result of the fact that pension funds are exempt from withholding taxes in many jurisdictions. However, a number of jurisdictions do not provide this benefit to all pension funds but recognize that the Pension Fund is part of the United Nations and hence is exempt from national taxation of Member States on its direct investments in accordance with Article 105 of the Charter of the United Nations and with article II, section 7 (a), of the 1946 Convention on the Privileges and Immunities of the United Nations (see note 3.3). The Fund is not able to reliably measure the value of the additional tax exemption obtained by being part of the United Nations and therefore does not disclose the value of this additional benefit on the face of the statement of changes in net assets available for benefits as non-exchange income in accordance with IPSAS 23, Revenue from non-exchange transactions.

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Change in fair value for assets designated at fair value		
Short-term investments	44	115
Equities	1 792 027	6 539 722
Fixed income	236 934	(432 804)
Real assets investments	360 048	258 017
Alternative and other investments	99 014	21 896
Total change in fair value for financial assets designated at fair value	**2 488 067**	**6 386 946**
Interest income		
Interest income on cash and cash equivalents	2 576	1 577
Interest income on fixed income instruments	372 517	396 495
Total interest income	**375 093**	**398 072**
Dividend income	845 069	761 728
Total dividend income	**845 069**	**761 728**
Income from real assets	30 642	36 587
Income from alternative and other investments	–	–
Total income under real assets and alternatives	**30 642**	**36 587**
Changes in foreign exchange (losses)	(1 955 144)	(558 924)
Net foreign exchange (losses)	**(1 955 144)**	**(558 924)**
Transaction costs		
Management fees and other related fees	(90 558)	(69 885)
Small capitalization fund management fees[a]	(9 326)	(8 653)
Brokerage commissions	(17 674)	(20 121)
Other transaction costs	(7 346)	(11 542)
Total transaction costs	**(124 904)**	**(110 201)**
Net investment income	**1 658 823**	**6 914 208**

[a] 2013 comparative figures have been amended in line with note 4.

The increase in the change in foreign exchange losses in the amount of $1,955.1 million for the year ended 31 December 2014 is due primarily to the strengthening of the United States dollar against currencies such as the euro, the British pound sterling, the Japanese yen, and the Swiss franc. A detailed analysis of the Fund's investments and cash and cash equivalent by currency is provided in note 22.3 related to currency risk.

15. Contributions

Contributions received in the period can be broken down as follows:

(Thousands of United States dollars)

	2014	*2013*
Contributions from participants		
Regular contributions	750 764	731 660
Contribution for validation	887	852
Contribution for restoration	4 940	4 685
	756 591	**737 197**
Contributions from member organizations		
Regular contributions	1 501 528	1 463 320
Contribution for validation	1 770	1 559
	1 503 298	**1 464 879**
Other contributions		
Contributions for participant transferred in under agreements	3 980	3 251
Receipts of excess actuarial value over regular contributions	43	626
Other contributions/adjustments	158	719
	4 181	**4 596**
Total	**2 264 070**	**2 206 672**

The contribution income varies based on changes in the number of participants, changes in the distribution of participants, changes in pensionable remuneration rates as a result of cost-of-living increases determined by the International Civil Service Commission and the yearly step-increase to individual pensionable remuneration received by all participants.

16. Other income

Other income earned during the period can be broken down as follows:

(Thousands of United States dollars)

	2014	*2013*
Forfeitures/adjustments of pension benefits	94	(8)
Class action proceeds	1 197	319
Notional interest income	571	722
United Nations University management fees	50	50
Other claims	20	–
Total	**1 932**	**1 083**

17. Benefit payments

Benefit payments in the period can be broken down as follows:

(Thousands of United States dollars)

	2014	*2013*
Withdrawal settlements and full commutation of benefits		
For contributory services of five years or less	45 549	53 038
For contributory services of more than five years	75 464	89 631
	121 013	**142 669**
Retirement benefits		
Full retirement benefits	1 220 615	1 165 465
Early retirement benefits	667 300	634 751
Deferred retirement benefits	90 954	86 405
Disability benefits	63 300	59 675
Survivor's benefits	232 082	221 315
Child's benefits	26 296	25 729
	2 300 547	**2 193 340**
Other benefits		
Payments for participants transferred out under agreements	977	2 074
Other benefits/adjustments	(652)	(295)
	325	**1 779**
Total	**2 421 885**	**2 337 788**

18. Administrative expenses

Expenses incurred in the period are as follows:

(Thousands of United States dollars)

	2014				
	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
Established posts (excluding change in the value of the after-service health insurance liability)	17 601	10 074	–	–	27 675
Change in the value of the after-service health insurance liability	13 101	4 105	337	–	17 543
Other staff costs	2 071	718	–	–	2 789
Consultants	65	140	–	–	205
Travel	591	584	–	–	1 175
Training	78	68	–	–	146

	2014				
	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
Contractual services	6 367	18 023	–	–	24 390
Hospitality	1	20	–	–	21
General operating expenses	4 660	2 706	–	–	7 366
Supplies and materials	50	46	–	–	96
Furniture and equipment	605	83	–	–	688
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 102	–	1 102
Board expenses	–	–	–	125	125
Total	**45 190**	**36 567**	**1 439**	**125**	**83 321**

(Thousands of United States dollars)

	2013				
	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
Established posts (excluding change in the value of the after-service health insurance liability)	15 623	8 549	–	–	24 172
Change in the value of the after-service health insurance liability	(2 082)	(652)	(54)	–	(2 788)
Other staff costs	1 529	979	–	–	2 508
Consultants	71	399	–	–	470
Travel	529	597	–	–	1 126
Training	137	78	–	–	215
Contractual services	8 190	17 265	–	–	25 455
Hospitality	2	14	–	–	16
General operating expenses	5 035	2 324	–	–	7 359
Supplies and materials	70	82	–	–	152
Furniture and equipment	878	90	–	–	968
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 024	–	1 024
Board expenses	–	–	–	173	173
Total	**29 982**	**29 725**	**970**	**173**	**60 850**

19. Other expenses

Other expenses incurred during the period can be broken down as follows:

(Thousands of United States dollars)

	2014	2013
Emergency fund expense	39	17
Notional interest expense	3 279	5 938
Other expenses and claims	547	475
Total	**3 865**	**6 430**

20. Actuarial situation of the Fund

(See also note 1.5)

The Fund provides retirement, death, disability and related benefits for staff of the United Nations and other organizations admitted to membership in the Fund. Accumulated (promised) plan benefits represent the total actuarial present value of those estimated future benefits that are attributable under the Fund's provisions to the service that staff have rendered as at the valuation date. Accumulated plan benefits include benefits to be paid to: (a) retired or terminated staff or their beneficiaries; (b) beneficiaries of staff who have died; and (c) present staff or their beneficiaries.

Benefits payable under all circumstances — retirement, death, disability, and termination of employment — are included to the extent they are deemed to be attributable to service that staff have rendered as of the valuation date.

The actuarial present value of accumulated (promised) plan benefits (which does not take into account future increases in pensionable remuneration) is determined by independent actuaries and the amount is derived by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements, such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The Fund is applying the guidance included in International Accounting Standard (IAS) 26.28 (b) and discloses the actuarial present value of promised retirement benefits in the notes to its financial statements.

Key assumptions

The significant actuarial assumptions used in the valuation as at 31 December 2013 were:

- Life expectancy of participants (2007 United Nations mortality tables adjusted for forecast improvements in mortality)
- Age-specific retirement and turnover assumptions
- Annual investment return of 6.5 per cent, which serves as the discount rate for liabilities
- Annual rate of 3 per cent for cost-of-living increases in pensions

These key assumptions were recommended by the Committee of Actuaries and adopted by the Pension Board at its sixtieth session in July 2013. The foregoing actuarial assumptions are based on the presumption that the Fund will continue. Were the Fund to be terminated, different actuarial assumptions and other factors may be applicable in determining the actuarial present value of accumulated plan benefits.

Statement of accumulated benefits

The actuarial present value of accumulated plan benefits as at 31 December 2013 is as follows (see note 1.10 for the description of the pension adjustment system):

(Millions of United States dollars)

	If future pension payments are made:	
	Under the regulations without pension adjustments	*Under the regulations with pension adjustments*
Actuarial value of vested benefits		
Participants currently receiving benefits	21 105	28 744
Vested terminated participants	218	370
Active participants	12 026	17 304
Total vested benefits	**33 349**	**46 418**
Non-vested benefits	1 218	1 472
Total, actuarial present value of accumulated plan benefits	**34 567**	**47 890**

Information on participation in the United Nations Joint Staff Pension Fund

The last valuation was provided by the consulting actuaries as at 31 December 2013 based on participation set out below. The participation in the plan developed as follows:

	Values as at 31 December 2013
Active participants	
Number	120 294
Annual remuneration (in millions of United States dollars)	$10 375
Average remuneration (in United States dollars)	$86 245
Retired participants and beneficiaries	
Number	69 980
Annual benefit (in millions of United States dollars)	$2 050
Average benefit (in United States dollars)	**$29 292**

21. Commitments and contingencies

21.1 Investment commitments

As at 31 December 2014 and 31 December 2013, the Fund was committed to the following:

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Real estate funds	1 255 001	979 474
Private equity	1 701 742	1 268 442
Infrastructure funds	151 566	171 909
Timberland funds	60 108	58 740
Total commitments	**3 168 417**	**2 478 565**

In the private equity and real estate, infrastructure and timberland investments, funds are drawn down in accordance with the terms and conditions of the fund agreements. The fund agreements are unique to each individual investment. However, funds are drawn down (a) to fund investments in assets that have been purchased or are being contracted for purchase; and (b) to pay fees earned by the general partner or manager under the terms and conditions of the fund agreement.

21.2 Lease commitments

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Obligations for property leases		
Under 1 year	5 557	5 311
1-5 years	20 400	21 768
Beyond 5 years	4 311	8 623
Total property leases obligations	**30 268**	**35 702**

21.3 Legal or contingent liabilities and contingent assets

There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to the Pension Fund.

22. Risk assessment

The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk).

The Fund's investment risk management programme seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. The United Nations Investments Committee provides advice to the Representative of the Secretary-General on investment strategy and reviews the investments of the Fund at its quarterly meetings. The Committee provides advice on long-term policy, asset allocation and strategy, diversification by type of investments, currencies and economic sectors, and any other matters.

The Fund uses different methods to measure, monitor and manage the various types of financial risks to which it is exposed. These methods are explained below.

22.1 Credit risk

Credit risk is defined as the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms, resulting in a loss. The risk of a trading partner not fulfilling its obligations to another in a timely manner is a risk that all obligors face. Ensuring adequate control over credit risk and effective risk management is critical to the long-term sustainability of the Fund. The Fund manages risk by addressing the following important areas:

- Approving and maintaining appropriate credit exposure measurement and monitoring standards
- Establishing limits for amounts and concentrations of credit risk, and monitoring and implementing a review process for credit exposure
- Ensuring adequate controls over credit risk.

The Fund is primarily exposed to credit risk in its debt securities. The Fund's policy to manage this risk is to invest in debt securities that have an investment grade rating by at least one of the well-known credit rating agencies (S&P, Moody's or Fitch). For purposes of consistency in this disclosure, the Fund used Moody's Investors Service, which rated most of its debt securities in 2014. As at 31 December 2014, 87 per cent (2013: 91 per cent) of the fixed income portfolio was rated between Aa3 and A1.

The analysis below summarizes the credit quality of the Fund's fixed income portfolio at 31 December 2014 and 31 December 2013, respectively, as provided by Moody's rating agency.

(Thousands of United States dollars)

	Aa3 to A1	*Baa3 to Baa1*	*Not rated*	*Total (at 31 December 2014)*
Commercial mortgage-backed	84 584	-	52 987	137 571
Corporate bonds	2 641 080	685 784	170 092	3 496 956
Funds — corporate bond	–	–	46 295	46 295
Government agencies	2 145 150	–	7 830	2 152 980
Government bonds	5 558 032	69 447	334 603	5 962 082
Government mortgage-backed	–	–	101 758	101 758
Guaranteed fixed income	317 732	48 078	62 071	427 881
Index-linked government bonds	460 444	–	36 791	497 235
Municipal/provincial bonds	7 428	–	–	7 428
Total	**11 214 450**	**803 309**	**812 427**	**12 830 186**
Short-term bills and notes			–	–

(Thousands of United States dollars)

	Aa3 to A1	*Baa3 to Baa1*	*Not rated*	*Total (at 31 December 2013)*
Commercial mortgage-backed	81 638	–	54 617	136 255
Corporate bonds	1 399 389	365 603	142 587	1 907 579
Funds — corporate bond	–	–	46 689	46 689
Government agencies	2 367 460	42 108	84 965	2 494 533
Government bonds	6 218 657	16 853	149 639	6 385 149
Government mortgage-backed Securities	–	–	135 750	135 750
Guaranteed fixed income	20 154	–	–	20 154
Index-linked government bonds	606 647	51 354	37 895	695 896
Municipal/provincial bonds	397 901	–	–	397 901
Total	**11 091 846**	**475 918**	**652 142**	**12 219 906**
Short-term bills and notes			**47 478**	**47 478**

Of the unrated fixed income securities totalling $812.4 million as at 31 December 2014, $703.0 million were in debt securities that present a very low credit risk, as they carry an issuers' credit rating of "investment grade", thereby providing evidence of their creditworthiness. Of the remaining unrated debt securities, amounting to $109.4 million, for which no issuer rating by Moody's was available, three debt securities, amounting to $63.1 million, were rated investment grade by the other two rating agencies (S&P and Fitch); the other security, amounting to $46.3 million, was a bond fund and, as such, was not evaluated by a credit rating agency.

Of the unrated fixed income securities totalling $652.1 million as at 31 December 2013, $550.8 million were in debt securities that present a very low credit risk, as they carry an issuers' credit rating of "investment grade", thereby providing evidence of their creditworthiness. Of the remaining unrated debt securities, amounting to $101.3 million, for which no issuer rating was available, one debt security, amounting to $54.6 million, was rated AAA by the other two rating agencies (S&P and Fitch); the other security, amounting to $46.7 million, was a bond fund and, as such, was not evaluated by a credit rating agency. In addition, for the period ended 31 December 2013, the short-term bills and notes, amounting to $47.5 million, presented a low credit risk for the Fund owing to an implied issuer's credit rating of Aaa.

All transactions in listed securities are paid for upon delivery using approved brokers. Settlement risk is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Non-rated bonds are reviewed by the Representative of the Secretary-General and are also subject to compliance review on a quarterly basis.

22.2 Liquidity risk

Liquidity risk is the risk of not meeting cash requirements for the Fund's obligations. Cash requirements can arise from settlement needs for various investment trades, capital calls from uncalled or unfunded commitments, and benefit payment disbursements in various currencies. The Fund manages its liquidity risk by investing the vast majority of its investments in liquid securities.

The Fund's long-term cash flow requirements are reviewed quarterly, together with the strategic and tactical asset allocation during the meetings of the Investments Committee. In addition, they are reviewed by the Investment Management Division as part of its weekly investment rebalancing meetings.

22.3 Market risk

Market risk is the risk of change in the value of plan assets owing to various market factor movements, such as interest rates, major market index movements, currency exchange rates and market volatility. The Fund has adopted value at risk as a parameter to measure the market risk, in addition to standard deviation and tracking risk. Value at risk is a universally accepted parameter to communicate market risk for financial institutions and asset management institutions. The Fund also has risk tolerance for investment risks in the investment policy approved by the Representative of the Secretary-General. Based on this risk tolerance, a risk budget has been assigned to each portfolio manager. The risk budget is modified once a year.

Value at risk (VaR) as a single number summarizes the portfolio's exposure to market risk as well as the probability of an adverse move or, in other words, level of risk. The main purpose of value at risk is to assess market risks that result from changes in market prices. There are three key characteristics of value at risk: (a) the amount (in percentage or dollar terms); (b) the time horizon (in this case, one year); and (c) the confidence level (in this case, 95 per cent). When reported as 95 per cent confidence, the VaR(95) number (in percentage or in dollar terms) indicates that there is a 95 per cent chance that portfolio losses will not exceed the given VaR(95) number (in percentage or in dollar terms) over a year. In addition, the Fund reports tail risk or expected shortfall, which measures the average expected loss for the 5 per cent of the times when the losses exceed VaR(95). The Fund also reports contribution to the risk. Considering the risk of the whole Fund as 100 per cent, contribution to risk indicates how much of the risk is contributed by that asset class. Contribution to risk is additive (all contributions will add up to 100 per cent). VaR(95) is not additive owing to the diversification effect.

The tables below depict four important aspects of risks. They show volatility or standard deviation in percentage, followed by VaR(95) for the given portfolio in percentage terms. Contribution to risk indicates how much each asset class is contributing to the total Fund risk. Clearly, total Fund risk is 100 per cent and each of the asset classes below indicates the contribution to the risk. Expected shortfall at 5 per cent (because the Fund is indicating VaR at 95 per cent) indicates average value or expected value of losses for the 5 per cent of the times when losses exceed VaR(95).

All numbers in the tables below are annualized using historical simulation. The first table refers to 2014; the second refers to 2013.

(Percentage)

Asset class	*Volatility (standard deviation)*	*VaR (95 per cent)*	*Contribution to risk*	*Expected shortfall (5 per cent)*
Total fund	7.72	12.80	100.00	17.42
Total equity	10.34	17.37	84.19	23.42
Minimum volatility equity	8.74	15.03	1.46	18.92
Fixed income	3.34	5.42	3.68	7.66
Cash and short term	3.14	5.13	0.88	7.01
Real assets	13.25	20.30	5.22	27.71
Private equity	14.78	23.51	2.60	33.52
Commodities	11.22	18.59	0.17	26.21
Infrastructure	14.28	22.62	0.22	31.13
Risk parity	12.45	21.49	1.58	27.51

Note: Figures are reported from MSCI RiskMetrics as at 2 January 2015.

(Percentage)

Asset class	*Volatility (standard deviation)*	*VaR (95 per cent)*	*Contribution to risk*	*Expected shortfall (5 per cent)*
Total fund	11.00	17.74	100.00	28.00
Total equity	14.82	24.40	86.24	37.09
Minimum volatility equity	9.14	14.35	0.63	22.21
Fixed income	4.36	7.05	4.81	10.15
Cash and short term	2.90	4.71	0.85	6.99
Real assets	17.96	28.29	5.39	41.59
Private equity	20.52	34.25	1.67	52.10
Commodities	14.02	22.68	0.25	34.96
Infrastructure	19.73	33.57	0.17	50.47

Note: Figures are reported from MSCI RiskMetrics as at 27 December 2013.

Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments — for example, equity securities — are denominated in currencies other than the United States dollar, the price initially expressed in non-United States dollar denominated currency and then converted into United States dollars will also fluctuate because of changes in currency exchange rates.

At 31 December 2014 and 31 December 2013, the fair values of equities exposed to price risk were as follows:

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
Common and preferred stock	30 437 211	30 407 707
Funds — exchange traded funds	2 392 095	2 509 654
Real estate investment trusts	547 048	340 575
Funds — common stock	214 878	155 695
Stapled securities	25 687	24 120
Unit trust equity	–	54 466
Total equity instruments	**33 616 919**	**33 492 217**

Considering the total Fund risk as 100 per cent, the contribution to risk owing to price risk is 87.60 per cent (2013: 83.00 per cent). For the total price risk, equities contributed 88.74 per cent (2013: 91.34 per cent) to the total Fund price risk and the rest is contributed by all other asset classes.

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weights. The Fund's policy is to concentrate the investment portfolio in sectors where management believes the Fund can maximize the returns derived for the level of risk to which the Fund is exposed.

The Fund's equity investment portfolios by industrial sector in 2014 and 2013 were as follows:

General industry classification standards	*Fund's equity portfolio as at 31 December 2014*	*Benchmark as at 31 December 2014*	*Fund's equity portfolio as at 31 December 2013*	*Benchmark as at 31 December 2013*
	(Percentage)			
Financials	19.67	21.86	20.86	21.52
Information technology	14.38	13.85	13.05	12.52
Consumer discretionary	11.50	12.07	11.80	11.97
Energy	6.98	7.96	8.35	9.63
Health care	12.16	11.59	10.81	10.26
Industrials	9.65	10.49	9.99	10.97
Consumer staples	8.34	9.70	8.36	9.77
Materials	5.32	5.36	5.56	6.09
Telecommunication services	2.78	3.74	3.23	4.16
Utilities	2.71	3.38	2.04	3.11
Others	6.51	NA	5.95	NA
Total	**100.00**	**100.00**	**100.00**	**100.00**

The following table presents an analysis of the Fund's concentration of equity price risk in the Fund's equity portfolio by geographical distribution (based on the counterparty's place of primary listing or, if not listed, the place of domicile).

(Percentage)

	2014	*2013*
North America	57.4	53.8
Europe	19.9	22.5
Asia Pacific	10.7	11.5
Emerging markets	9.7	10.4
International regions	2.3	1.8
Total	**100.0**	**100.0**

Currency risk

The Fund is one of the most globally diversified pension funds in the world and therefore holds both monetary and non-monetary assets denominated in currencies other than the United States dollar, the Fund's base currency. Currency exchange risk arises as the value of financial instruments denominated in other currencies fluctuates owing to changes in currency exchange rates. Management monitors the exposure to all currencies.

The Fund does not use hedging to manage its non-United States dollar denominated currency risk exposure. Currency risk refers to risk owing to foreign exchange rate changes.

The tables below illustrate the foreign exchange risk exposure of the Fund by class of investments. They summarize the Fund's cash and investments at fair value as at 31 December 2014 and 2013, respectively. Net financial assets amounting to $20.7 million (2013: $108.5 million) not held at fair value (see note 6) are excluded from the tables. Assets held in exchange-traded funds or externally managed specialty funds are included as United States dollar assets.

(Percentage)

2014	*Equity instruments*	*Fixed-income instruments*	*Real assets*	*Alternative and others*	*Short-term investments*	*Cash*	*Total*
United States dollar	38.17	12.63	4.27	2.65	–	1.91	59.62
Euro	5.78	4.11	0.36	0.24	–	0.01	10.50
British pound sterling	4.06	1.24	0.14	–	–	0.63	6.07
Japanese yen	4.54	0.50	0.15	–	–	0.05	5.24
Canadian dollar	1.96	0.88	0.17	–	–	0.12	3.13
Australian dollar	1.42	0.89	0.13	–	–	0.10	2.54
Swiss franc	1.97	–	–	–	–	0.01	1.98
Hong Kong dollar	1.59	–	–	–	–	0.05	1.64
South Korean won	0.84	0.54	–	–	–	0.01	1.39

2014	*Equity instruments*	*Fixed-income instruments*	*Real assets*	*Alternative and others*	*Short-term investments*	*Cash*	*Total*
Polish zloty	0.03	1.15	–	–	–	0.08	1.26
Swedish krona	0.51	0.27	–	–	–	0.36	1.17
Mexican peso	0.22	0.66	–	–	–	0.15	1.03
Malaysian ringgit	0.19	0.46	–	–	–	0.13	0.78
Norwegian krone	0.02	0.61	–	–	–	0.04	0.67
Indian rupee	0.57	–	–	–	–	0.07	0.64
Singapore dollar	0.32	0.07	–	–	–	0.18	0.57
Brazilian real	0.41	0.12	–	–	–	0.03	0.56
South African rand	0.38	–	–	–	–	0.02	0.40
Danish krone	0.29	–	–	–	–	–	0.29
Turkish lira	0.13	–	–	–	–	0.04	0.17
Philippine peso	0.16	–	–	–	–	0.00	0.16
New Zealand dollar	0.01	0.12	–	–	–	0.02	0.15
Colombian peso	0.04	–	–	–	–	–	0.04
Hungarian forint	–	–	–	–	–	–	0.00
Total	**63.64**	**24.25**	**5.22**	**2.89**	**–**	**4.01**	**100.00**

(Percentage)

2013	*Equity instruments*	*Fixed-income instruments*	*Real assets*	*Alternative and others*	*Short-term instruments*	*Cash*	*Total*
United States dollar	36.77	10.95	3.73	2.17	–	2.02	55.64
Euro	6.37	4.52	0.31	0.14	–	0.41	11.75
British pound sterling	5.32	1.10	0.16	–	–	0.28	6.86
Japanese yen	4.96	0.79	0.14	–	–	–	5.89
Swiss franc	2.11	–	–	–	–	0.02	2.13
Canadian dollar	2.07	0.95	0.18	–	–	0.17	3.37
Hong Kong dollar	1.66	–	–	–	–	0.16	1.82
Australian dollar	1.59	0.96	0.15	–	–	0.13	2.83
South Korean won	0.86	0.30	–	–	–	–	1.16
Swedish krona	0.65	0.71	–	–	–	0.05	1.41
Brazilian real	0.49	0.13	–	–	–	0.16	0.78
Indian rupee	0.45	–	–	–	–	0.06	0.51
South African rand	0.40	0.09	–	–	–	0.03	0.52
Singapore dollar	0.35	0.08	–	–	0.09	0.07	0.59
Mexican peso	0.34	0.46	–	–	–	0.20	1.00
Malaysian ringgit	0.28	0.51	–	–	–	0.07	0.86
Danish krone	0.20	–	–	–	–	–	0.20
Turkish lira	0.14	–	–	–	–	0.04	0.18
Philippine peso	0.10	–	–	–	–	–	0.10

2013	*Equity instruments*	*Fixed-income instruments*	*Real assets*	*Alternative and others*	*Short-term instruments*	*Cash*	*Total*
Columbian peso	0.04	–	–	–	–	–	0.04
Polish zloty	0.03	1.32	–	–	–	–	1.35
Norwegian krone	0.03	0.78	–	–	–	0.03	0.84
New Zealand dollar	0.02	0.15	–	–	–	–	0.17
Total	**65.23**	**23.80**	**4.67**	**2.31**	**0.09**	**3.90**	**100.00**

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The Fund holds fixed interest securities that expose it to fair value interest rate risk. The Fund also holds a limited amount of United States dollar-denominated floating rate debt, cash and cash equivalents that expose it to cash flow interest rate risk.

The table below summarizes the Fund's relative sensitivity to interest rate changes versus its reference benchmark of the Barclays Total Aggregate Bond Index. This measure of duration for the portfolio indicates the approximate percentage change in the value of the portfolio if interest rates change by 100 basis points.

(Percentage)

	2014		*2013*	
	Fund	*Benchmark*	*Fund*	*Benchmark*
Effective duration	3.69	6.50	3.99	6.22

Effective duration is the sensitivity to interest rate. This means that if the interest rate increases by 1 per cent, the Fund can lose 3.69 per cent compared with the benchmark, which can lose 6.50 per cent. That situation arises primarily from the increase/decrease in the fair value of fixed interest securities, with a small proportion arising from the decrease/increase in interest income on cash and cash equivalents.

23. Budget information

23.1 Movement between original and final budgets

(Thousands of United States dollars)

	Initial appropriation 2014	*2013 budget balance carried forward*	*Approved increases decreases*	*Final appropriation 2014*
Administrative costs	48 677	–	–	48 677
Investment costs	41 241	–	–	41 241
Audit costs	1 264	–	–	1 264
Board expenses	204	–	–	204
Total	**91 386**	**–**	**–**	**91 386**

23.2 Reconciliation between the actual amounts on a comparable basis and the statement of changes in net assets available for benefits

Differences between the actual amounts on a comparable basis with the budget and the actual amounts recognized in the financial statements can be classified as follows:

(a) Basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis, as stated in note 3.14;

(b) Timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for the Pension Fund for the purposes of comparison of budget and actual amounts;

(c) Entity differences, which occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. There are no entity differences for the Pension Fund.

(Thousands of United States dollars)

Actual amount on a comparable basis (2014)	**78 242**
Basis differences	
Asset additions/disposals	(3 744)
Depreciation, amortization and impairment	1 491
Unliquidated obligations	(14 020)
Prepayments	(63)
Employee benefits	20 668
Other accruals	747
Actual amount for administrative expenses in the statement of changes in net assets available for benefits	**83 321**

(Thousands of United States dollars)

Actual amount on a comparable basis (2013)	**55 476**
Basis differences	
Asset additions/disposals	(4 946)
Depreciation, amortization and impairment	2 074
Unliquidated obligations	19 048
Prepayments	239
Employee benefits	(1 876)
Other accruals	(512)
Actual amount for administrative expenses in the statement of changes in net assets available for benefits	**69 503**

The foregoing reconciliation illustrates key differences between total administrative expenditure on a budget basis (modified cash basis) and total expenditure on an IPSAS basis. The main differences can be categorized as follows:

- *Depreciation expense*: fixed assets and intangible assets that meet the threshold for capitalization are capitalized and depreciated over their useful lives on an IPSAS basis. Only depreciation expense is recognized over the useful lives of the asset whereas the total expense is recognized on a budget basis at the time of acquisition
- *Expense recognition*: on a budget basis, expenditure is recognized at the time of disbursement or commitment as unliquidated obligations. Under IPSAS, expenses are recognized at the time goods or services have been received. Unliquidated obligations for goods or services not received or prepayments are not recognized as expense. Economic services received but not paid for are recognized as expense under IPSAS
- *Employee benefits*: on a budget basis, employee benefit expenses are recognized when the benefit is paid. Under IPSAS, an expense for an employee benefit should be recognized in the period in which the benefit is earned, regardless of time of payment. IPSAS therefore recognizes expenses for post-employment benefits, such as after-service health insurance, annual leave or repatriation benefits.

24. Funds under management

Funds under management are defined as other United Nations funds for which the Pension Fund has engaged the services of external fund managers, independent of the Pension Fund.

24.1 United Nations Library Endowment Fund

On 16 May 2013, a decision was made to transfer the oversight of the United Nations Library Endowment Fund to the United Nations Treasury and Accounts Division to liquidate the assets of the Endowment Fund and to transfer the proceeds to the United Nations Euro Pool cash account. On 16 September 2013, the assets of the Endowment Fund had been fully liquidated and the net proceeds had been transferred to the said cash account.

24.2 United Nations University Endowment Fund

Pursuant to General Assembly resolution 2951 (XXVII) establishing the United Nations University, and Assembly resolution 3081 (XXVIII) and article IX of the charter of the United Nations University (A/9149/Add.2), the Investment Management Division is providing oversight services for the investments of the United Nations University Endowment Fund that are currently outsourced to Nikko Asset Management Co., Ltd., with a separate custodian bank. Formal arrangements between the Division and the Endowment Fund regarding these services have not been agreed upon. Resulting funds are reflected in the accounts of the United Nations University. There is no commingling of investment funds with those of the Pension Fund, which are maintained separately. The cost of the Division's management advisory fees, amounting to $50,000 per year, are reimbursed to the Division by the Endowment Fund and recorded as other income.

25. Related party transactions

Key management personnel

Key management personnel remunerated by the Fund for the years ended 31 December 2014 and 31 December 2013 are as follows:

	Number of individuals	*Compensation and post adjustment*	*Entitlements*	*Pension and health plans*	*Total remuneration*	*Outstanding advances against entitlements*	*Outstanding loans*
		(thousands of United States dollars)					
2014	5	836	83	83	1 108	–	–
2013	4	688	69	152	908	–	–

Key management personnel are the Chief Executive Officer, the Deputy Chief Executive Officer, the Director of the Investment Management Division, the Chief Financial Officer (and the Representative of the Secretary-General, as they have the authority and responsibility for planning, directing and controlling the activities of the Pension Fund. In previous years, the Representative of the Secretary-General was not remunerated by the Fund and hence was not disclosed. However, during 2014, a full-time Representative, remunerated by the Fund, was appointed and is hence included in the foregoing table.

The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, entitlements such as the representation allowance and other allowances, assignment and other grants, the rental subsidy, personal effect shipment costs and employer pension and current health insurance contributions.

There are no outstanding advances against entitlements of key management personnel as at 31 December 2014.

Key management personnel are also qualified for post-employment benefits (see note 12) at the same level as other employees. The actuarial valuation of the benefits for the key management personnel is as follows:

(Thousands of United States dollars)

	31 December 2014	*31 December 2013*
After-service health insurance	1 507	1 122
Repatriation	111	97
Annual leave	202	128
Death benefit	3	2
Total	**1 823**	**1 349**

Other related parties

While no transactions occurred with the following parties, they are considered to be related parties. A summary of the Fund's relationship with these parties appears below.

United Nations General Assembly

The United Nations General Assembly is the highest legislative body for the Fund. It reviews reports submitted by the Pension Board, approves the budgets for the Fund, decides on new member organizations of the Fund and amends the Regulations of the Fund.

Twenty-three member organizations participating in the Fund

The member organizations of the Fund (international and intergovernmental organizations) join the Fund by decision of the General Assembly and, at the time of admission, agree to adhere to the Regulations of the Fund. Each member organization has a staff pension committee and a secretary to the committee; the committees and their secretariat are an integral part of the administration of the Fund.

International Computing Centre

The United Nations International Computing Centre was established in Geneva in 1971 as an inter-organization facility, providing a wide range of information technology and communications services, on a cost-recovery basis, to its users worldwide. The Centre is governed by a management committee representing the organizations to which the Centre provides services.

The role of the International Computing Centre is as follows:

- To provide information technology services on a full cost-recovery basis
- To provide assistance in exploiting networking and computing technology
- To provide information management services
- To provide advice on questions related to information management
- To provide specialized training

(a) At the time of issuance of the financial statements, management of the Fund is not aware of any reportable events after the reporting date, in accordance with IPSAS 14, other than the following. On 15 January 2015, the Swiss National Bank announced that it was discontinuing the minimum exchange rate of 1.20 Swiss francs per euro. As a result, the Swiss franc has been subject to substantive volatility. The amounts reported in these financial statements do not reflect changes in foreign exchange rates after 31 December 2014;

(b) Given the persisting volatility in the global currency market, the impact of this event on the result of financial year 2015 cannot be reasonably quantified and predicted, as it depends on the evolution of the relevant exchange rates throughout the year.

Appendix

Statistics on the operations of the Fund

Table 1
Number of participants

Member organization	*Participants as at 31 December 2013*	*New entrants*	*Transfer*		*Separations*	*Participants as at 31 December 2014*	*Percentage increase (decrease)*
			In	*Out*			
United Nations[a, b]	**85 721**	**7 620**	**211**	**3 611**	**5 465**	**84 476**	**-1.5%**
International Labour Organization	3 599	488	26	21	400	3 692	2.6%
Food and Agriculture Organization of the United Nations[b]	6 032	650	3 452	81	495	9 558	58.5%
United Nations Educational, Scientific and Cultural Organization	2 442	135	10	20	191	2 376	-2.7%
World Health Organization	10 153	787	73	59	863	10 091	-0.6%
International Civil Aviation Organization	745	100	6	6	76	769	3.2%
World Meteorological Organization	315	33	7	1	27	327	3.8%
International Atomic Energy Agency	2 464	241	17	13	192	2 517	2.2%
International Maritime Organization	291	14	5	1	19	290	-0.3%
International Telecommunication Union	814	26	4	4	59	781	-4.1%
World Intellectual Property Organization	1 242	57	7	2	58	1 246	0.3%
International Fund for Agricultural Development	540	55	16	8	43	560	3.7%
International Centre for the Study of the Preservation and Restoration of Cultural Property	33	–	–	–	1	32	-3.0%
European and Mediterranean Plant Protection Organization	13	3	–	–	1	15	15.4%
International Centre for Genetic Engineering and Biotechnology	184	8	–	–	15	177	-3.8%
United Nations World Tourism Organization	97	6	–	1	4	98	1.0%
International Tribunal for the Law of the Sea	38	–	–	1	1	36	-5.3%
International Seabed Authority	35	1	–	2	4	30	-14.3%
United Nations Industrial Development Organization	735	31	4	6	51	713	-3.0%
International Criminal Court	914	80	35	18	53	958	4.8%
Inter-Parliamentary Union	47	3	1	1	5	45	-4.3%
International Organization for Migration	3 428	444	6	26	316	3 536	3.2%
Special Tribunal for Lebanon	412	44	14	12	22	436	5.8%
Total	**120 294**	**10 826**	**3 894**	**3 894**	**8 361**	**122 759**	**2.0%**

[a] United Nations Headquarters, the regional offices and all funds and programmes.

[b] With effect from 1 July 2014, approximately 3,400 participants who were formerly reported under the United Nations Development Programme (a programme of the United Nations system) moved to the World Food Programme, which is reported under the Food and Agriculture Organization of the United Nations for pension purposes.

Table 2

Benefits awarded to participants or their beneficiaries during the year ended 31 December 2014

Member organization	*Number of benefits awarded*											
				Withdrawal settlement								
	Retirement benefit	*Early retirement benefit*	*Deferred retirement benefit*	*under 5 years*	*over 5 years*	*Child's benefit*	*Widow's and widower's benefit*	*Other death benefit*	*Disability benefit*	*Secondary dependant's benefit*	*Transfer under agreements*	***Total***
United Nations[a]	891	452	153	2 578	1 143	956	92	10	55	–	8	**6 338**
International Labour Organization	70	40	9	226	49	32	–	1	2	–	–	**429**
Food and Agriculture Organization of the United Nations	102	85	28	207	47	65	4	2	9	–	4	**553**
United Nations Educational, Scientific and Cultural Organization	51	41	9	62	21	32	4	–	3	–	1	**224**
World Health Organization	214	64	57	382	113	180	16	1	5	–	–	**1 032**
International Civil Aviation Organization	28	24	2	18	–	14	1	–	2	–	–	**89**
World Meteorological Organization	10	4	–	12	1	2	–	–	–	–	–	**29**
International Atomic Energy Agency	71	20	18	68	7	27	2	1	5	–	–	**219**
International Maritime Organization	14	1	–	2	–	2	–	–	1	–	–	**20**
International Telecommunication Union	24	16	1	13	5	11	–	–	–	–	–	**70**
World Intellectual Property Organization	19	7	3	18	5	16	–	–	5	–	–	**73**
International Fund for Agricultural Development	18	5	2	8	3	6	–	–	–	–	1	**43**
International Centre for the Study of the Preservation and Restoration of Cultural Property	1	–	–	–	–	–	–	–	–	–	–	**1**
European and Mediterranean Plant Protection Organization	–	–	–	1	–	–	–	–	–	–	–	**1**

Member organization	Number of benefits awarded											
	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement		Child's benefit	Widow's and widower's benefit	Other death benefit	Disability benefit	Secondary dependant's benefit	Transfer under agreements	Total
				under 5 years	over 5 years							
International Centre for Genetic Engineering and Biotechnology	5	3	–	5	2	2	–	–	–	–	–	**17**
United Nations World Tourism Organization	2	1	–	1	–	–	–	–	–	–	–	**4**
International Tribunal for the Law of the Sea	–	–	–	–	1	–	–	–	–	–	–	**1**
International Seabed Authority	1	–	–	–	1	2	1	–	–	–	–	**5**
United Nations Industrial Development Organization	14	7	4	16	4	8	–	–	5	–	–	**58**
International Criminal Court	1	3	6	24	18	1	–	–	–	–	–	**53**
Inter-Parliamentary Union	2	–	1	1	1	1	–	–	–	–	–	**6**
International Organization for Migration	14	1	10	205	85	9	–	–	–	–	–	**324**
Special Tribunal for Lebanon	–	1	1	20	–	–	–	–	–	–	–	**22**
Total	**1 552**	**775**	**304**	**3 867**	**1 506**	**1 366**	**120**	**15**	**92**	**–**	**14**	**9 611**

[a] United Nations Headquarters, the regional offices and all funds and programmes.

Table 3
Analysis of periodic benefits for the year ended 31 December 2014

	Total as at 31 December 2013	*New*	*Reinstatement*	*Benefits discontinued, resulting in award of survivor's benefit*	*Benefit type changes*	*All other benefits discontinued*	*Total as at 31 December 2014*
Type of benefit	*Number of periodic benefits*						
Retirement	25 169	1 549	–	(322)	(8)	(171)	26 217
Early retirement	15 253	774	2	(176)	(5)	(102)	15 746
Deferred retirement	7 490	304	2	(47)	–	(76)	7 673
Widow	10 863	99	1	519	11	(260)	11 233
Widower	877	21	–	50	1	(26)	923
Disability	1 361	91	–	(26)	–	(16)	1 410
Child	8 926	1 366	3	–	1	(1 172)	9 124
Secondary dependant	41	–	–	2	–	(2)	41
Total	**69 980**	**4 204**	**8**	**–**	**–**	**(1 825)**	**72 367**

Annex VI

Report of the United Nations Board of Auditors on the United Nations Joint Staff Pension Fund for the year ended 31 December 2014

I. Report of the Board of Auditors on the financial statements for the year ended 31 December 2014 (audit opinion)

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Joint Staff Pension Fund, which comprise the statement of net assets available for benefits as at 31 December 2014, the statement of changes in net assets available for benefits, the statement of comparison of budget and actual amounts for the year then ended and the notes to the financial statements.

Management's responsibility for the financial statements

The Chief Executive Officer of the Fund, the Representative of the Secretary-General for the investments of the Fund and the Chief Financial Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing, which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes the performance of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether owing to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes an evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as an evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the United Nations Joint Staff Pension Fund as at 31 December 2014 and its financial performance for the year then ended in accordance with the International Public Sector Accounting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the United Nations Joint Staff Pension Fund that have come to our notice, or that we have tested as part of our audit, have in all significant respects been in accordance with the regulations, rules and pension adjustment system of the United Nations Joint Staff Pension Fund and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the United Nations Joint Staff Pension Fund.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor-General of the
United Republic of Tanzania
Chair of the United Nations Board of Auditors

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor-General of India
(Lead auditor)

(*Signed*) Amyas C. E. **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland

30 June 2015

II. Report of the Board of Auditors (long-form report)

Summary

The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for staff of the United Nations and other organizations admitted to the membership of the Fund. It is administered by the United Nations Joint Staff Pension Board and currently has 22 members in addition to the United Nations and its agencies.

The Board of Auditors has audited the financial statements of the United Nations Joint Staff Pension Fund and reviewed its operations for the year ended 31 December 2014 in accordance with General Assembly resolutions 74 (I) of 1946 and 680 (VII) of 1952, and in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Fund as at 31 December 2014 and were in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The total assets of the Fund as at 31 December 2014 amounted to $53.10 billion and the total liabilities amounted to $217.36 million, making net assets available for benefits of $52.88 billion. The market value of the investments of the Fund was $50.74 billion. The total income of the Fund during 2014 was $3.92 billion. Expenditure (comprising benefit payments, administrative expense and other expense) amounted to $2.51 billion and the change in net assets available for benefits was $1.41 billion. Based on the financial statements, the return on investment for 2014 was 3.2 per cent as against 3.7 per cent stipulated in the policy benchmark for 2014.

Audit opinion

The Board issued an unqualified opinion on the financial statements of the Fund, as reflected in chapter I.

Overall conclusion

The Fund has successfully prepared IPSAS-compliant financial statements since 2012. While there were no material deficiencies in the statements prepared by the Fund, the Board has identified certain improvements in the disclosures in the notes to the statements that would enhance the completeness and transparency of the information contained therein for the stakeholders, for instance, including preparation of a cash flow statement. The Board has also identified risks in the settlement of foreign exchange transactions through central counterparties as well as an increase in foreign exchange losses that merited the attention of the Fund. The Board has noted a certain lack of coherence and timely action in the implementation of information technology strategies that not only delayed full deployment of a critical information technology system but also led to additional expenditure.

Key findings

The main findings of the Board were as follows:

(a) *Non-disclosure of different exchange rates applied to currency balances included in the financial statements*:

A review of the non-United States dollar denominated currency balances included in the financial statements revealed that different exchange rates were applied to the currency balances held by the Secretariat ($145.87 million) and the Investment Management Division ($1.97 billion). However, the Fund did not provide an indication of the categories to which each measurement basis was applied in the notes to the financial statements. While the difference in the valuation of the cash balances as at the date of the financial statements is not material, these are two different exchange rates that are required to be disclosed in terms of IPSAS 1;

(b) *Risks in foreign exchange transactions through central counterparties*:

All foreign exchange settlements of the Fund are currently made directly with the counterparties. Payments made in anticipation of the counterparty settling its obligation to pay are inherently risky. This risk may be mitigated by undertaking settlement through central counterparties, such as the Continuous Linked Settlement Bank. Though efforts to introduce the Continuous Linked Settlement Bank system commenced in 2013, significant progress had not been achieved even after nearly two years. While the Fund has been able to mitigate the counterparty issues through internal controls, the fundamental risk remains until a central counterparty settlement system is established;

(c) *Foreign exchange losses*:

The Fund has significant exposure to foreign exchange rate volatility, with over 40 per cent of the Fund's investments being held in assets based on non-United States dollar denominated currency. The foreign exchange loss of the Fund increased from $120.45 million in 2012 to $558.92 million in 2013 and to $1.96 billion in 2014. The foreign exchange loss during 2014 comprised $1.74 billion towards unrealized loss and $218.76 million towards realized loss. Compared with the previous year, the realized exchange loss had gone up by 77 per cent while the unrealized exchange loss had gone up by 300 per cent. The increasing trend of foreign exchange losses had yet to be effectively addressed by the Fund;

(d) *Rate of return on investments*:

In accordance with the strategic framework of the Fund for the biennium 2014-2015 and the investment policy of the Fund, the portfolio objective is to achieve the portfolio component benchmarks by active strategies and to contribute to the achievement of an overall 3.5 per cent real rate of return, as adjusted by the United States consumer price index over time. According to these yardsticks, the Fund underperformed during the year and showed underperformance in the five-year period ended December 2014. The 3.2 per cent rate of return for 2014 was below the benchmark of 3.7 per cent as at 31 December 2014. Given the Fund's own assessment that it could take approximately 5 to 10 years to generate the 3.5 per cent real return on an annualized basis, it was imperative that the Fund achieve the immediate targets stipulated in the strategic framework if it is to achieve the overall objective of a return of 3.5 per cent on a sustainable basis;

(e) *Lack of a long-term and coherent information technology strategy*:

In December 2013 the Fund initiated a process to replace its existing information technology system with another system on the grounds that the existing system needed ongoing upgrades and customization to suit the users' requirements. The Fund initiated the procurement of a new system with the United Nations Procurement Division in 2013. A business plan to replace the existing system was presented. A waiver from competitive bidding was obtained in July 2014 to expedite the procurement of the new system and a contract in April 2015 was recommended for approval at a total "not to exceed" cost of $2.6 million. In the meantime, the contract for the existing system was extended until January 2016 at a cost of $0.74 million as an interim measure. The delay in furthering the procurement process, apart from leading to an additional cost of $0.74 million, has negated the objective of the waiver from a competitive bidding process that is an important feature of a transparent procurement process under the Financial Regulations and Rules of the United Nations;

(f) A request for proposal was issued on 23 June 2014 for information architecture and information technology infrastructure assessment in the Investment Management Division, which has not progressed further. At the time of suspension of the Murex system in October 2013, the Fund had projected that the request for proposal would be completed in the third quarter of 2014. Furthermore, the Murex system was decommissioned within three years of its commencement in June 2011. A total of $960,100 has already been written off ($847,300 for phase I and $112,800 for phase II) consequent to the decommissioning. Such instances were reflective of a lack of a long-term and coherent information technology strategy or policy within the Fund, which was resulting in short-term decisions and stopgap measures as well as additional expenditure;

(g) *Time overrun and additional expenditure in implementation of the integrated pension administration system*:

The integrated pension administration system is a single integrated software system that is capable of supporting operations, financial and management systems. The project was approved by the Pension Board in 2009 and by the General Assembly in 2011. The initial scheduled date of completion was June 2014. Owing to unanticipated project enhancements to the integrated pension administration System, changes in the Fund's regulations and additional testing, and in order to meet the challenges of data cleaning and the migration of the payroll data from the legacy systems, the integrated pension administration system is now expected to be delivered in June 2015, which is one year after the initial scheduled date of completion of the project. The Board noted that the extensions owing to additional testing and needs for data cleaning and migration were attributable in part to insufficient rigour in initial conceptualization and definition of requirements and scope as well as to inadequate implementation planning for the project. Even at the late stage of June 2015, not all the deliverables slated for going live in June 2015 had achieved a satisfactory level of performance and there remained a number of issues that were yet to be addressed. The delay also resulted in cost escalation in the project by 19 per cent from $16.7 million to $19.94 million. Furthermore, the delay in the implementation of the integrated pension administration system led to the Fund having to extend the continuation of existing legacy systems through contract renewals.

Recommendations

The Board has made several recommendations based on its audit that are contained in the body of the report. The main recommendations are that the United Nations Joint Staff Pension Fund should:

(a) **Disclose its usage of two different exchange rates for translating non-United States dollar denominated currency transactions during the year;**

(b) **Expedite introduction of the counterparty settlement system;**

(c) **Explore alternatives to mitigate the foreign exchange losses, including a detailed cost benefit study for a suitable hedging strategy;**

(d) **Take steps to achieve the policy benchmarks on each portfolio by improving its internal investment processes and endeavour to achieve the overall minimum real return of 3.5 per cent;**

(e) **Formulate a holistic policy for the strategic planning, governance and management of various information technology projects required or under implementation, and initiate proactive measures to expedite the procurement of the replacement for the existing system and restrict additional expenditure on interim measures;**

(f) **Ensure full implementation of the integrated pension administration system project by addressing all outstanding issues, including timely completion of data testing and parallel run.**

Key facts

United Nations Joint Staff Pension Fund:	Provides retirement, death and disability-related benefits for staff
22:	Number of member organizations in addition to the United Nations
122,759:	Participants in the Fund
$53.10 billion:	Total assets
$217.36 million:	Total liabilities
$52.88 billion:	Net assets available for benefits
$50.74 billion:	Market value of investments
$3.92 billion:	Total income
$2.51 billion:	Total expenditure, including benefit payments
$1.66 billion:	Investment income
3.2 per cent:	Return on investment for 2014

A. Mandate, scope and methodology

1. The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and other organizations admitted to the membership of the Fund. It is administered by the United Nations Joint Staff Pension Board and currently has 22 members in addition to the United Nations and its agencies. The Fund is a multi-employer defined benefit plan. The market value of the investment portfolio of the Fund as at 31 December 2014 was $50.74 billion.

2. The Board of Auditors has audited the financial statements of the United Nations Joint Staff Pension Fund and has reviewed its operations for the year ended 31 December 2014 in accordance with General Assembly resolutions 74 (I) of 1946 and 680 (VII) of 1952. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the United Nations Joint Staff Pension Fund as at 31 December 2014 and its financial performance for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditure had been properly classified and recorded. The audit included a general review of financial systems and internal controls and a test examination of the accounting

records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to the audit of the accounts and financial transactions, the Board reviewed the operations of the Fund under regulation 7.5 of the Financial Regulations and Rules of the United Nations. This allows the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of the United Nations Joint Staff Pension Fund operations.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with management, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up of previous recommendations

6. Of the 12 outstanding recommendations, 9 (75 per cent) were fully implemented and 3 (25 per cent) were under implementation. The Board commends the improvement in the implementation rate of its recommendations as compared with the previous year, when 41 per cent of the 22 recommendations were fully implemented. The three recommendations that were under implementation pertained to the integrated pension administration system, which is set to roll out by June 2015. Details are presented in the appendix to the present report.

2. Financial overview

7. As at 31 December 2014, the total assets of the Fund amounted to $53.10 billion (2013: $51.63 billion) and the total liabilities amounted to $217.36 million (2013: $155.72 million), making net assets available for benefits of $52.88 billion (2013: $51.47 billion). This represented an increase of $1.41 billion compared with the previous year. The market value of the investments of the Fund as at 31 December 2014 was $50.74 billion (an increase of $1.40 billion or 2.84 per cent) compared with $49.34 billion as at 31 December 2013. Equities and fixed income investments accounted for 66.26 per cent and 25.29 per cent, respectively, of the total investments.

8. The total income of the Fund during 2014 was $3.92 billion, comprising investment income of $1.66 billion (2013: $6.91 billion), contributions of $2.26 billion and other income of $1.93 million. Expenditure (comprising benefit payments, administrative expenses and other expenses) amounted to $2.51 billion.

9. Based on the financial statements, the return on investment for 2014 was 3.2 per cent as against 3.7 per cent set in the policy benchmark for 2014. During 2013, the rate of return was 15.50 per cent as against the policy benchmark of 13.5 per cent for that year. The foreign currency losses for 2014 increased by $1.4 billion to $1.96 billion from $558.92 million in 2013.

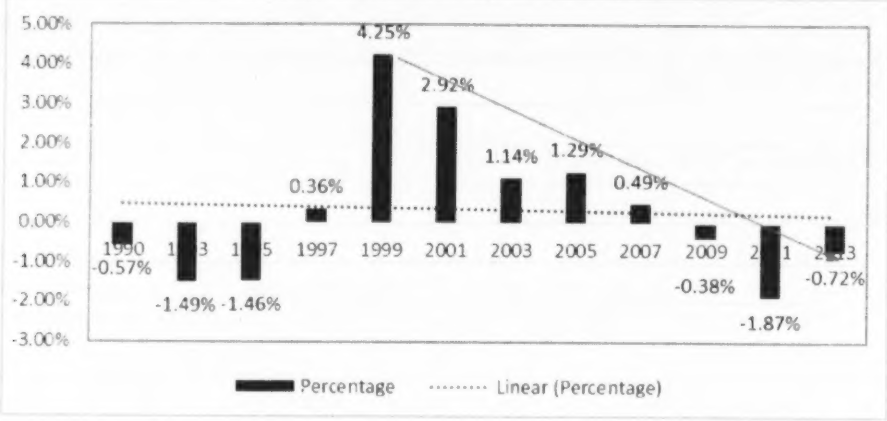
10. As at 31 December 2014, the Fund had 122,759 participants compared with 120,294 in 2013, an increase of about 2 per cent. The number of periodic benefits as at 31 December 2014 was 72,367 compared with 69,980 in 2013, showing an increase of 3.41 per cent.

11. The actuarial valuation at the end of 2013 showed deficit as 0.72 per cent of the pensionable remuneration. The deficit has been increasing since 2009 but there was a marked improvement in 2013 as compared with 2011. This improvement was attributable mainly to the increase in the retirement age to 65 years in respect of those staff members commencing/recommencing participation after 1 January 2014.

Figure I

Trend of actuarial surplus or deficit

(Percentage)



Source: United Nations Joint Staff Pension Fund.

Investment management

12. The Fund has invested in a global portfolio of investments comprising equities, fixed income, real assets, alternative assets and other investments. As at 31 December 2014, the market value of the Fund's assets was $50.74 billion and the asset allocation was 66.26 per cent in equities, 25.29 per cent in fixed income, 5.45 per cent in real assets and 3 per cent in alternatives and other investments.

13. The long-term objectives of the Investment Management Division are to (a) offset the Fund's current and future pension liabilities; (b) maintain an optimal risk adjusted profile; and (c) diversify the portfolio with respect to asset type, currency and geographical distribution. In its strategic framework, the Division established, as an expected accomplishment, a long-term annualized real rate of return of 3.5 per cent on the investments of the Fund.

14. Investment performance measurement is the quantification of the results achieved by an investment programme. The Investment Management Division has assigned the responsibility for monitoring and reporting on investment returns and risk to its Risk and Compliance Section. The calculation of the investment performance of the Fund was outsourced to an asset management firm, which was the master record keeper. The Division has established controls to ensure that the performance calculation methodology was reliable and reported figures were accurate. It also monitored and assessed the quality of contractual services provided by the master record keeper. The Division's Risk Manual required the Division to ensure that all service providers issue investment reports that were consistent with the Global Investment Performance Standards.

15. The investment portfolio rates of return were calculated by the master record keeper on a daily basis and performance data was provided to the Investment Management Division through a web-based portal. The Risk and Compliance Section verified the accuracy of the rates of return for publicly traded securities (which made up about 88 per cent of the portfolio) provided by the master record keeper. It did so by cross-checking the figures with those of Morgan Stanley Capital International Barra One on a weekly basis. The Office of Internal Oversight Services reviewed four weekly comparison reports in September 2014 and concluded that the Division had adequate controls to verify the accuracy of performance figures reported by the master record keeper. The Board did not find any material deviation from the IPSAS requirements pertaining to investments.

3. Compliance with International Public Sector Accounting Standards

Financial statement disclosures

16. Detailed and standardized disclosures in the financial statements are of vital importance for the transparency and management of public pension funds. These disclosures facilitate clear and unambiguous understanding of the financial statements. IPSAS also encourages entities to present additional information to assist users in assessing the performance of the entity, its stewardship of assets and for evaluating decisions about the allocation of resources. The Board reviewed the Fund's financial statements and its notes and found that some of the disclosures were either incomplete or incorrect, necessitating improvement. The management has corrected or revised those disclosures to bring more clarity to the users of the financial statements.

Disclosure of different bases of the measurement in financial statements

17. In accordance with IPSAS 1, the notes should provide additional information that is not presented in the financial statements but that is relevant to understanding them. Furthermore, IPSAS 1 requires an entity to disclose in the summary of significant accounting policies the measurement basis (or bases) used in preparing the financial statements and other accounting policies used that are relevant to an understanding of the financial statements.

18. The Fund had disclosed an amount of $2,110.88 million as cash and cash equivalents as at 31 December 2014 in its statement of net assets available for benefits. In note 3.7, the Fund disclosed that the non-United States dollar denominated currency transactions were translated using the spot exchange rate between the functional currency and the non-United States dollar denominated currency at the date of the transaction. Furthermore, it was stated that at each reporting date, non-United States dollar denominated monetary items are translated using the closing spot rate and that the exchange differences arising on the settlement of these items or on translating these monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the change in net assets available for benefits in the period in which they arise.

19. A review of the non-United States dollar denominated currency balances included in the financial statements revealed that different exchange rates were applied to the currency balances held by the Secretariat ($145.87 million) and the Investment Management Division ($1,965 million). However, the Fund did not

provide an indication of the categories to which each measurement basis was applied in the note to the financial statements, as required under IPSAS 1.

20. The Fund stated that in accordance with the provisions of its Accounting Manual, the Fund's secretariat is using the United Nations Operational Rate of Exchange as a proxy for the spot rate adopted by the Investment Management Division. The Fund added that both the Fund secretariat and the Division use the "spot rate" between the functional currency and the non-United States dollar denominated currency, as stated in its notes, but that the spot rate for investing and operating activities is from two different sources. The Fund analysed the use of the United Nations Operational Rate of Exchange as a proxy for the spot rate and concluded that it was not significantly different from market rates and that therefore there was no material difference in the valuation of the cash balances.

21. The Board is of the view that while there may not be a material difference in the valuation of the cash balances as at the date of the financial statements, the two different rates applied should be disclosed in conformity with the provisions of IPSAS 1.

22. **The Board recommends that the Fund disclose its usage of two different exchange rates for translating non-United States dollar denominated currency transactions during the year.**

Cash flow statement

23. The Fund developed its own accounting policy, as permitted under IPSAS 3, with regard to financial statements, benefits payments and the accounting for contribution income. The Fund also decided not to prepare a cash flow statement, as required by IPSAS 1, as it opined that IAS 26 excludes retirement benefit plans from the requirement of a statement of cash flows.

24. The Board considers that, as the Fund successfully introduced IPSAS in 2012, it should now be in a position to prepare a cash flow statement. Furthermore, IAS 26 does not expressly exclude retirement benefit plans from preparing and disclosing a cash flow statement. The Board is of the view that a cash flow statement, as required by IPSAS, should therefore be part of the financial statements.

25. The Fund expressed its inability to include a cash flow statement in the financial statements of 2014 but agreed to include one from 2015 onwards, giving comparative figures for the previous year. A disclosure to that effect was included in note 3.1 to the financial statements.

4. Investments

26. The Board reviewed the investment strategy, policies and processes followed by the Fund, with a focus on assessing whether the Fund had appropriately addressed the associated risks and its performance against laid down benchmarks.

Settlement of foreign exchange transactions through central counterparties

27. All foreign exchange settlements of the Fund are currently made directly with the counterparties. Payments made in anticipation of the counterparty settling its obligation to pay are inherently risky. This risk may be mitigated by undertaking settlement through central counterparties such as the Continuous Linked Settlement

Bank. At present, all foreign exchange settlements are made at gross. Gross settlement means that each transaction is settled individually through payments made through correspondent banks (or branches of the counterparty banks) in the currencies concerned. The risk associated with this procedure is that counterparties will not fulfil their payment obligations.

28. While acknowledging the concern expressed by the Board, the Fund stated that it believed its internal control for foreign exchange settlement procedures was adequate to mitigate the settlement risk. Historically, the Fund had never lost any principal in foreign exchange deals. Even where a counterparty failed to deliver the funds on the settlement date, the funds were nevertheless received within a reasonable time frame and the counterparty had settled any compensation claims issued to it by the Fund. The Fund added that it would adopt one global custodian bank structure and a request for proposal for global custody services was being drafted that was planned to be issued by the end of the second or third quarter of 2015.

29. The Board observed that while efforts to introduce the Continuous Linked Settlement Bank system commenced in 2013, significant progress had not been achieved even after nearly two years. While the Fund had been able to mitigate the counterparty issues through internal controls, the fundamental risk remained until a central counterparty settlement system was established.

30. **The Board recommends that the Fund expedite introduction of the counterparty settlement system in a time-bound manner.**

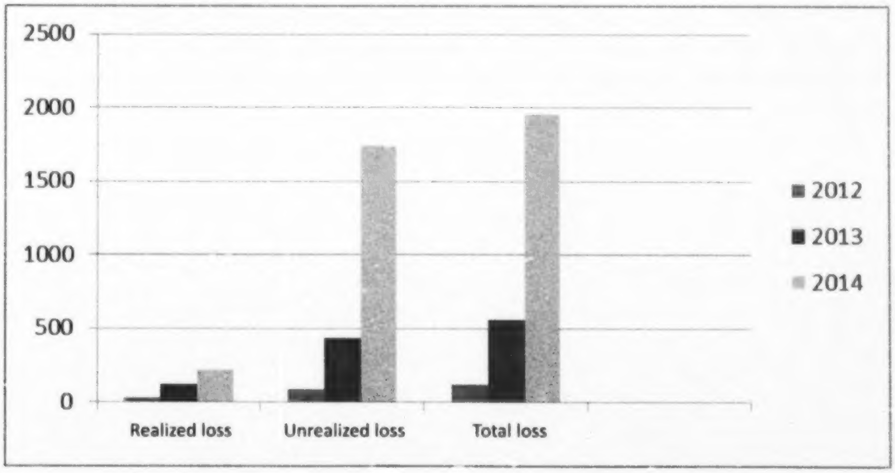
Foreign exchange losses

31. Open exposure to foreign exchange volatility brings with it the risk of reduced returns or even capital erosion as and when the investments are liquidated and converted into liability-side currencies. The Fund has significant exposure to foreign exchange rate volatility on both the asset and liability sides. As at 31 December 2014, over 40 per cent of the Fund's investments were held in assets based on non-United States dollar denominated currency. The foreign exchange loss of the Fund increased from $120.45 million in 2012 to $558.92 million in 2013 and to $1.96 billion in 2014, as shown in figure 2 below.

Figure 2

Trend of foreign exchange loss

(Millions of United States dollars)



32. The losses in 2014 comprised $1.74 billion ($434.53 million in 2013 and $89.21 million in 2012) towards unrealized loss and $218.76 million ($123.76 million in 2013 and $30.82 million in 2012) towards realized loss. Compared with the previous year, the realized exchange loss had increased by 77 per cent, while the unrealized exchange loss had increased by 300 per cent in 2014. The Fund had not explored mechanisms such as hedging to mitigate the rising trend of foreign exchange losses.

33. The Fund stated that an asset liability management study was in process, which would be presented to the Pension Board shortly. It added that the option of currency hedging had been reviewed periodically. Owing to the cost aspects of currency hedging, it was not clear whether the Fund would be able to effectively manage the currency risks without sacrificing the investment returns over the periods. Hedging was currently a zero-sum-game and it would have minimal impact over the long term; however, the Fund might consider doing so in future. Hence, it had been decided by the Investments Committee in May 2015 not to hedge at the present time.

34. The Board observed that the issue of the increasing trend of foreign exchange losses had yet to be effectively addressed by the Fund. In real terms, for 2014, the foreign exchange loss on cash and cash equivalents alone amounted to $104.80 million as compared with $28.83 million in 2013 and $21.63 million in 2012. A decision not to hedge should not be based on a mere expectation of reversal of trend but on a more comprehensive cost benefit analysis and a study of emerging trends in the currency market in the medium term.

35. **The Board recommends that the Fund explore alternatives to mitigate the foreign exchange losses, including a detailed cost benefit study for a suitable hedging strategy.**

Rate of return on investments

36. In accordance with the strategic framework of the Fund for the biennium 2014-2015 and the investment policy of the Fund, the portfolio objective is to outperform the portfolio component benchmarks by active strategies and to contribute to the achievement of an overall 3.5 per cent real rate of return, as adjusted by the United States consumer price index over time. The strategic framework indicator of achievement is total return against the policy benchmark over a five-year period.

37. According to these yardsticks, the Fund underperformed both during the year as well as during the five-year period ended December 2014. The portfolio-wise performance of the Fund against the policy benchmarks in the year and for a five-year period is shown below:

Table 1
Return on investment against the policy benchmarks
(Percentage)

Category	*2014 five-year period*	*Policy benchmark*	*Actual rate of return*	*Variation*[a]
Total Fund	Year	3.70	3.20	-0.50
	Five years	7.60	7.30	-0.30
Equity	Year	4.70	4.40	-0.30
	Five years	9.70	9.30	-0.40
Fixed income	Year	0.60	-1.00	-1.60
	Five years	2.65	3.06	+0.41
Real estate	Year	11.50	12.50	+1.00
	Five years	12.18	10.49	-1.69
Commodities	Year	-17.00	-21.20	-4.20
	Five years	NA	NA	NA
Cash and short term	Year	0.03	-4.60	-4.63
	Five years	0.09	-0.80	-0.89

Source: Investment Management Division.
[a] Overachievement (+)/underachievement (-).

38. As evident from the foregoing table, the Fund could not achieve any of the policy benchmarks against all portfolios with the exception of real estate for the one year period ended 31 December 2014 and against all portfolios with the exception of fixed income for the five-year period ended 31 December 2014.

39. The Fund stated that the policy benchmark was to achieve a 3.5 per cent real return on a long-term sustainable basis. The Fund had been successful in achieving that target over the past 50 years, though past performance was not necessarily a guarantee of future performance. The Fund believed that it would continue to generate a 3.5 per cent annualized real rate of return over the long term, though it was concerned about the possibility of falling short of the 3.5 per cent real return target for the next few years given the current economic scenario. It expected that it could take approximately 5 to 10 years to generate the 3.5 per cent real return objective on an annualized basis. The Fund added that it had outperformed the policy benchmark in the past 7 and 10 years as at 31 March 2015. Furthermore, it had been successfully meeting the 3.5 per cent real return targets in the long term, including the past 10, 20, 25 and 50 years.

40. The Board noted that the 3.2 per cent rate of return for the year 2014 was below the benchmark of 3.7 per cent as at 31 December 2014. Given the Fund's own assessment that it could take up to 10 years to generate the 3.5 per cent real return on an annualized basis, it was all the more imperative that the Fund should achieve the immediate targets stipulated in the strategic framework if it was to achieve the overall objective of a return of 3.5 per cent on a sustainable basis.

41. **The Board recommends that the Fund take steps to achieve the policy benchmarks on each portfolio by improving its internal investment processes and practices, and endeavour to achieve the overall minimum real return of 3.5 per cent.**

5. Contribution collection and benefits payment management

Participant reconciliation exceptions

42. For the preparation of the Fund's financial statements, member organizations send participant contribution data to the Accounts Unit of the Fund in the annual contribution schedule by the end of January of the following year. The data is sent on an individual participant basis and includes contributions as calculated by those organizations. The Accounts Unit checks that all reported contributions fall within each participant's contributory service period and generates the participant reconciliation exceptions report that shows the discrepancies between estimated contributions and the amount actually reported on the year-end schedules by the member organizations for each participant. This report is sent to the member organizations, which are required to respond with an explanation for any discrepancies and actions required to resolve them.

43. The Board observed that the participant reconciliation exceptions of the previous year were not fully resolved before generation of the following year's financial statements. On receipt of the year-end schedules for the following year, the old unresolved participant reconciliation exceptions were not pursued further; rather, a new exceptions report was issued. Table 2 below presents a summary of the participant reconciliation exceptions identified and resolved in the years 2011 to 2013:

Table 2
Details of participant reconciliation exceptions
(Millions of United States dollars)

	Participant reconciliation exceptions identified		*Participant reconciliation replied to by member organizations*			*Participant reconciliation exceptions for which replies were not received and amounts remain unresolved*	
Year	*Number*	*Net amount**	*Number (percentage)*	*Net amount* resolved (percentage)*	*Net amount* not resolved (percentage)*	*Number (percentage)*	*Net amount* (percentage)*
2011[a]	14 860	17.97	2 831	0.92	0.48	12 029	16.58
			(19.05)	(5.12)	(2.67)	(80.95)	(92.26)
2012[b]	12 366	19.23	3 074	4.41	1.14	9 292	13.68
			(24.86)	(22.91)	(5.92)	(75.14)	(71.13)
2013[c]	9 968	14.61	1 864	1.89	0.24	8 104	12.48
			(18.70)	(12.92)	(1.64)	(81.30)	(85.42)

Source: Secretariat of the United Nations Joint Staff Pension Fund.

**Note*: Sum of positive and negative differences between estimates of contributions made by the Fund and actual contributions received from member organizations.

[a] Status as at 31 January 2013. The data for the year was modified by eliminating the cases where contributions were not received to make it comparable with the data of the other years.

[b] Status as at 31 December 2013.

[c] Status as at May 2015.

44. The Board of Auditors, in its report for the years 2012 (A/68/303) and 2013 (A/69/9) had recommended that the Fund should continue to improve controls and efficiency of the participant reconciliation exceptions process to ensure that the discrepancies are identified and reconciled with member organizations in a timely

manner. However, in 2013 member organizations submitted fewer replies regarding exceptions than in 2012 and 8,104 exceptions, with a difference of $12.48 million, were yet to be reviewed.

45. The Board noted that the discrepancies for 2014 between estimated contributions and the amount actually reported in the year-end schedules by the member organizations for each participant was $17.40 million in 12,685 cases of participant reconciliation exceptions. The impact of this could not be ascertained, as the reconciliation process for 2014 is yet to be commenced. The Board observed that the Fund should prepare monthly contribution reconciliations so that the discrepancies were corrected within the same year rather than in the following year-end cycle.

46. The Fund stated that it was not possible to reconcile and resolve all the participant reconciliation exceptions with the member organizations before the finalization of the financial statements. Furthermore, the participant reconciliation exceptions process was mainly a data clean-up exercise which did not impact the figures in the financial statement. The Fund added that it would gradually migrate to a monthly process of contribution reporting through an improved data integrity process and would implement new procedures to conduct spot checks on sample records, perform trend analysis and analysis of variances to ensure adherence to the Regulations and Rules of the Fund. The Fund is proposing a new project to provide this functionality.

47. The Board observed that the cases depicted in table 2 indicated a difference between estimated amounts of contribution and the actual contribution received from the member organizations and that those needed to be resolved and reconciled.

48. **The Board reiterates its recommendation that the Fund continue its efforts to reconcile and resolve all participant reconciliation exceptions with member organizations in a timely manner. The Board adds that until such time as a system is implemented to enable monthly reconciliations, the Fund may consider including a suitable disclosure in the financial statements on the quantum of unresolved participant reconciliation exceptions.**

Processing of benefits within the benchmark period

49. The strategic framework prepared by the Fund for the biennium 2014-2015 provides that the Fund will continue to ensure that all pension entitlements are estimated, calculated and eventually paid consistently and in full conformity with the Regulations and Rules of the Fund and incorporate quality performance standards into its workplans. The framework identifies client services as one of its priorities. It envisages that all eligible participants, retirees and other beneficiaries will be serviced within 15 business days.

50. Table 3 below shows the percentage of benefits processed within 15 business days for the three years ended 2014.

Table 3

Benefits processed within the benchmark period

Year	*Total benefits processed*	*Benefits processed within the benchmark*	*Benefits processed within the benchmark (percentage)*
2012	9 017	6 936	76.92
2013	9 976	6 980	69.97
2014	8 068	5 452	67.58

Source: Secretariat of the United Nations Joint Staff Pension Fund.

51. The Board noted that despite a decrease in the number of cases during 2014, fewer benefits were processed within the 15-day benchmark in 2014 than in 2012 and 2013. That would result in delay in the release of the benefits to the beneficiaries.

52. The Fund stated that the reduction in the number of benefits processed within the benchmark was due to involvement of staff in implementation of the new pension administration system and an increase in the number of clients being serviced by the Fund by 9,000 individuals since 1 January 2012. The Fund added that it had presented a report to the Pension Board in 2014 on options for strengthening its client servicing capacity.

53. **The Board recommends that the Fund ensure adherence to the stipulated benchmark for the processing of benefits through improvements in efficiencies and use of information technology enabled services, since service to its members is the primary function of the Fund.**

Overpayments owing to multiple accounts of the same pensioner

54. The financial statements for 2014 disclosed an amount of $6.32 million as receivables from beneficiaries on account of overpayment. A test check of 11 of such beneficiaries, involving an overpayment of $65,334, revealed that the overpayments were attributable mainly to allotment of two to four pensioner numbers to the individual beneficiaries.

55. The Fund stated that a pension number was assigned to an active participant for a contributory service period and that when the participant separated and rejoined at a later date, another pension number was assigned, resulting in more than one pension number for the same individual. Since each contributory service and contributions for the period were measured and reviewed separately, one beneficiary might have more than one instance of overpayments. It added that the Fund had appropriate mechanisms to identify, track and recover potential overpayments and that use of a unique identification number could not be considered as the reason for or solution to potential overpayments, since they occurred mainly owing to circumstances that were outside the control of the Fund.

56. The Board observed that the current system of allotting multiple pension numbers and multiple payments had an inherent risk of overpayments and subsequent non-recovery owing to the passage of time and the lack of effective pursuance. While calculations could be made for different contributory service periods in respect of a beneficiary, it should be possible to combine the amount due

to the pensioner and make a single payment. That would mitigate the risk of overpayments.

57. **The Board recommends that the Fund: (a) improve the benefit payment system by consolidating all payments due to a beneficiary and making a single payment; and (b) ensure effective pursuance of overpayments to ensure their recovery.**

6. Information technology strategies

Deficiencies in information technology project implementation

58. Presently, the Fund has three information technology systems in operation in its Investment Management Division, namely: (a) Bloomberg PORT, which is a tool for day-to-day portfolio management and analysis; (b) Omgeo, which is a confirmation and affirmation system that includes all brokers of equity markets so that all equity trades are electronically confirmed and affirmed; and (c) a trade order management system, which allows authorized users to trade any security listed on any stock exchange and connects all the parties involved in an electronic straight-through processing.

59. The Fund decided in December 2013 to replace its trade order management system with a new asset and investment manager on the grounds that the existing system required ongoing upgrades and customization to suit users' requirements. The Fund initiated the procurement of the asset and investment manager with the Procurement Division in 2013. A business plan to replace the existing trade order management system with the asset and investment manager was presented in June 2014 and a waiver from competitive bidding was obtained in July 2014 to expedite procurement of the manager. The Headquarters Committee on Contracts recommended the approval of the case in April 2015 at a total not-to-exceed cost of $2.6 million over a period of three years. In the meantime, the contract for the existing trade order management system was extended until January 2016 at a cost of $0.74 million as an interim measure.

60. The Fund stated that there were no timelines for a project where procurement was carried out by the Procurement Division. However, a "to do" list had been drafted, outlining the steps that needed to be followed. It was stated that the contract for the trade order management system that was concluded until 31 January 2015 had been extended until January 2016 at an additional cost of $736,144.36. The extension was necessary owing to the complexity of the project.

61. The Board observed that a procurement process for replacement of a critical information technology system had yet to reach fruition despite the lapse of one and a half years since its initiation in 2013. The delay in furthering the procurement process had negated the objective of the waiver from a competitive bidding process that was an important feature of a transparent procurement process under the Financial Regulations and Rules of the United Nations, assuring best value for money, apart from leading to an additional cost of $0.74 million.

62. The Board also noted that a request for proposal was issued on 23 June 2014 for information architecture and information technology infrastructure assessment in the Investment Management Division, which had subsequently not progressed further. At the time of suspension of the Murex system, in October 2013, the Fund had projected that the request for proposal would be completed in the third quarter

of 2014. Furthermore, Murex was decommissioned within three years of its commencement in June 2011. A total of $960,100 had already been written off ($847,300 for phase I and $112,800 for phase II) consequent to the decommissioning.

63. The Board observed that the foregoing instances were reflective of the lack of a long-term and coherent information technology strategy or policy within the Fund, which was resulting in short-term decisions and stopgap measures as well as additional expenditure.

64. The Fund stated that steps were being taken towards a more holistic and long-term information technology policy and solutions, including the establishment of an Information and Communications Technology Steering Committee in the Investment Management Division to direct the development and execution of its information and communications technology strategies.

65. **The Board recommends that the Fund: (a) formulate a holistic policy for the strategic planning, governance and management of various information technology projects required or under implementation; and (b) take proactive measures to expedite the procurement of the replacement for the existing trade order management system and restrict additional expenditure on interim measures.**

Integrated pension administration system

66. The integrated pension administration system is a single integrated software system that is capable of supporting operations, financial and management systems. The new solution is fully integrated with better controls, more flexibility and reporting capabilities. The integrated pension administration system project will allow the Fund to keep up with the changes in the environment and with increasing client servicing needs. The project was approved by the Pension Board in 2009 and by the General Assembly in 2011.

67. The initial scheduled date of completion was June 2014. In the report of the Pension Board on its sixty-first session (A/69/9), it was reported that the Fund had already concluded the planning and design phase as well as all pre-implementation activities, and that the "go-live" for the project was expected in 2014.

68. Owing to significant unanticipated project enhancements to the integrated pension administration system and changes in the Regulations of the Fund, an extension to the scope of the project was necessary and an extension of four months was approved. In August 2014, after a further review of the project, an additional three months of testing was approved. The scope of work was then extended by four and a half months to include the development of custom reports for payroll reconciliation and to meet the challenges of data cleaning and the migration of the payroll data from the legacy systems environment to the integrated pension administration system environment. The system is now expected to be delivered in June 2015, which is one year after the initial scheduled date of completion of the project.

69. The Board noted that even at the late stage of June 2015, not all the deliverables slated for going live in June 2015 had achieved a satisfactory level of performance. There remained a number of issues that were yet to be addressed, for example:

- Payroll reconciliation reports were being tested
- Verification of Financial Services Section updates remained to be carried out
- Bank reconciliation testing was in progress
- Historic reference data was proving to be a challenge in some much older cases for salary scales
- Data quality remained a significant hurdle, as they could impact the payroll process for some future retirees
- Concerns remained relating to completing the processes for pension entitlement services

70. The Board also noted cost escalation in the integrated pension administration system project. The initial contract had been signed in June 2012 for a period of two years, with effect from 18 June 2012, at a total not-to-exceed cost of $16.7 million. Owing to the contract extensions of over 11 months, the cost of the project had increased by 20 per cent, as shown in table 4 below.

Table 4
Extensions and changes in contract value
(Millions of United States dollars)

Date	*Description*	*Not-to-exceed amount*
18 June 2012	Contract signature	16.66
18 June 2014	Four-month contract extension	17.52
30 October 2014	Three-month contract extension	18.23
26 February 2015	Four and a half-month contract extension	19.94

Source: Secretariat of the United Nations Joint Staff Pension Fund.

71. An additional statement of work for parallel deployment up to August 2015 was to be submitted in May 2015. The cost impact was not available at the time of conclusion of the audit (May 2015). Furthermore, owing to the delay in implementation of the integrated pension administration system, the Fund had to extend the continuation of existing legacy systems through contract renewals.

72. The Fund stated that significant progress had been achieved and that it would continue to monitor closely all required actions to ensure the successful implementation of that major undertaking. It added that the initial scope of the project had to be adjusted to accommodate additional requirements arising from the increase in the age of retirement and modification of the early retirement reduction factors for new participants that necessitated design changes as well as additional testing time, the transition related to consolidation of payrolls for certain categories of retirees, changes in banking arrangements for certain West African countries and inclusion of direct routing payments to two countries in South Asia. The legacy environment was expected to be completely decommissioned as at 1 August 2015 when the integrated pension administration system would be moved to a full disbursement mode.

73. The Board noted that implementation of a project of that nature required a clear definition of scope and deliverables linked to timelines. While there might be a

need for changes in scope to cater for evolving developments, they needed to be factored in, keeping in view the effect on costs and time and taking into account whether or not they could be retrofitted subsequently, after timely completion of the initially conceived project. The Board is concerned about the delay in implementation of the integrated pension administration system project and the additional cost of at least $3.28 million as at May 2015.

74. **As agreed by the Fund, the Board recommends that the Fund address all outstanding issues relating to implementation, including timely completion of data testing and parallel run.**

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

75. The Fund informed the Board that there had been no losses of cash, receivables and property during 2014.

2. Ex gratia payments

76. The Fund reported no ex gratia payments for the period under review.

3. Cases of fraud and presumptive fraud

77. In accordance with International Standards on Auditing (ISA) 240, the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

78. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or brought to the attention of the Board. We also inquire whether management has any knowledge of any actual, suspected or alleged fraud; this includes enquiries of the Office of Internal Oversight Services. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

79. The Fund reported that there had been no case of pension fraud during the year ended 31 December 2014. There had been one case of presumptive fraud that was under review by the Geneva office, which had been identified through normal and operational and control activities. The amount involved was $6,848.26.

D. Acknowledgement

80. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Chief Executive Officer of the Fund and the Representative of the Secretary-General, and by members of their staff.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor-General of the United Republic of Tanzania
Chair of the United Nations Board of Auditors

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor-General of India
(Lead auditor)

(*Signed*) Amyas C. E. **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland

30 June 2015

Appendix

Status of implementation of recommendations for the year ended 31 December 2013

(A/69/9, annex X)

	Paragraph	*Recommendation*	*Detailed comments on actions taken to be taken*	*Assessment of the Board*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1.	19	The Board recommends that the Fund closely collaborate with member organizations to ensure that those organizations submit contribution data in a timely manner and keep in close communication with the actuarial service provider to ensure that the actuarial report could be produced and included in the formal financial statements in a timely manner.	The Fund relies on year-end contribution data submitted by the 23 member organizations for the completion of the financial statements. It has requested that this information be submitted by the end of January. After it receives year-end contribution data, reconciled information is submitted to the consulting actuary, together with the final draft financial statements for the completion of an actuarial valuation on a biennium basis. Owing to the dependency on submission of year-end information by member organizations, the Fund has not been able to comply with the deadline of 31 March for completion of the United Nations financial statements and has proposed a completion date of 30 April in the proposed revised Regulations and Rules of the Fund. In 2010 the Fund launched the interface project and started working with member organizations to begin to provide data electronically to the Fund on a monthly basis. With the monthly contribution exchange, the majority of the year will be reviewed by the Fund prior to the end of the year, allowing for a much smaller and shorter task for the Fund to finalize end-of-year data and for submission to the consulting actuary on a more timely basis. The interface project continues to work on the implementation of new interfaces with member organizations. The Fund has initiated a pilot project with one member organization for the submission of monthly information. The roll-out of the monthly interfaces within the integrated pension administration system is not anticipated until 2016 and onwards, as a period for stabilization following implementation of the system is needed in 2015. The results of the 2013 actuarial valuation were included in the 2013 financial statements. The Fu...	The detailed reply given by management confirms that the recommendation is under implementation.		X		

	Paragraph	*Recommendation*	*Detailed comments on actions taken to be taken*	*Assessment of the Board*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			will have discussions with the consulting actuary to determine the anticipated timing of the 2015 actuarial valuation. Should the anticipated completion of the actuaries' work conflict with the timetable for the audit work of the Board of Auditors, the 2013 valuation would be included in the 2015 financial statements, as had been the practice in years prior to 2011.					
2.	22	The Board recommends that the investment Management Division: (a) update its disclosure checklist to ensure that all necessary information regarding the credit risk is properly included in the financial statements; and (b) formulate the instructions on the credit management of investment in fixed income and update the Investment Manuals accordingly.	(a) All required credit risk disclosures will be included in the 2014 Year-end Procedures Manual to ensure that all necessary information regarding the credit risk is properly included in the financial statements. Accordingly, part (a) of this recommendation has been addressed. (b) Such instructions are already included in the Investment Management Division Investment Procedures Manual under Global fixed income portfolio: "Short-term investments: Manage short-term investments (cash or cash-equivalent securities) and review daily cash projections in various currencies from a report provided by the Operations Section; "Currency management and transactions: The unit analyses the Fund's currency exposure based on projected cash flows, payment of benefits and overall portfolio allocation strategy. The section obtains quotes and executes foreign exchange transactions with duly authorized currency dealers. The Investment Management Division investment policy speaks to quality ratings. For investments in short-term securities, securities with a minimum quality rating of A3/P3/F3 and above should be purchased in the portfolio. These ratings are equivalent to the minimum investment grade long-term investment rating." Accordingly, this recommendation should be closed.	Implemented	X			
3.	25	The Investment Management Division agreed with the Board's recommendation to strengthen the oversight of the manual adjustment process to ensure that the risks of manual errors during	The Division always aims to deliver high-quality financial information. In order to do so, it carries out thorough analyses and reviews of the financial information provided by the master record keeper. The review processes are carried out by the existing Division accounting staff daily, monthly or annually. That said, the Board of Auditors should notice that the Division is currently understaffed and the risk of potential oversights is therefore inherent when	Implemented	X			

	Paragraph	Recommendation	Detailed comments on actions taken to be taken	Assessment of the Board	Implemented	Under implementation	Not implemented	Overtaken by events
		this process are minimized.	stretching staff workload. In addition, the Board should be aware that the master record keeper system does not sustain certain types of year-end adjustments and therefore some of the manual adjustments are inevitable. Examples of such adjustments are the updates of year-end full valuation for private equity and real estate funds, or accruals for transactions not kept with the Northern Trust custodian. For these reasons, this audit recommendation should be closed.					
4.	29	The Investment Management Division agreed with the Board's recommendation to: (a) continue to closely monitor the invested funds whose financial reports are still pending at the year-end and document the confirmation of their healthy operating and financial situation; and (b) disclose the detailed information of those investments without formal confirmation from fund managers.	The Division will continue to closely monitor the timeliness of financial information provided by real estate and private equity funds for the 2014 year-end process. In this regard, the Division's Operations Section team has developed a comprehensive list of the funds invested in, including contact information for each of the funds, and will be transmitting a request to all fund managers to provide year-end financial information within a time frame in line with our closing process. Subsequently, upon approaching this deadline, the Operations Section will be sending out a "friendly" reminder to all funds requesting submission of year-end information. In addition, upon expiration of the deadline, the Section will be reaching out individually to delinquent funds for further explanation of the reason for the missing submission and request potential alternative information available at that time.	Implemented	X			
5.	33	The Board recommends that the Investment Management Division consider developing its disclosure regulations to be approved by the governing body to ensure that the disclosures of the Fund's investment information are adequate and standardized.	This issue, which was raised by the Board of Auditors-China at the meeting of the Pension Board in July 2014, did not elicit any response/comment from the Board.	Implemented	X			

	Paragraph	Recommendation	Detailed comments on actions taken/to be taken	Assessment of the Board	Implemented	Under implementation	Not implemented	Overtaken by events
6.	39	The Investment Management Division agreed with the Board's recommendation to: (a) formulate a policy on the maintenance of important documents relating to real estate and alternative investments with clear instructions on key elements, such as responsibilities, timeline, coverage of required documents, methodology and procedure; and (b) ensure that all required documents are maintained in the Fund files and archived in a timely manner.	In order to provide flawless maintenance of the documents and information received relating to private equity and real estate funds, the Operations Section has developed an internal matrix aimed to provide clarity on the different types of documents/requests/information received from the funds and the roles/responsibilities of the corresponding Operations staff (e.g., cash desk, middle office, accounting), depending on the nature of the document/request/information received. In addition, the Division has started a project in conjunction with the Investments Section in the Division to properly archive all relevant documentation related to the private equity and real estate funds. This project is led by the Investments Section, as it is the first receiver of the funds' legal documents. Moreover, selected Operations Section staff have gained access to the electronic folders (historically restricted to Operations) where funds information is archived in order for Operations to track archiving progress and access funds' documentation, as necessary.	Implemented	X			
7.	44	The Investment Management Division agreed with the Board's recommendation to: (a) regularly monitor the status of its contracts with external service providers and take action well in advance to ensure that all contracts are renewed/awarded in a timely manner; (b) expedite the solicitation process in its procurement activities; and (c) consider setting up a high-level mechanism with the Procurement Division to address the	(a) The Division has established a vendor evaluation policy, including a new form for evaluating all service providers with whom it has a contract. In accordance with the established policy, the performance of all Division service providers will be evaluated as needed, but at least once a year. The evaluation is also required when the contracts are being extended. (b) (c) The Division holds discussions on a continuous basis with the Procurement Division about expediting the solicitation process in its procurement process as well as a "mechanism" regarding the "special requirements" of the Investment Management Division. Within these discussions, there have been accelerated activities. For these reasons, it is respectfully put forth that this recommendation be closed.	Implemented	X			

	Paragraph	Recommendation	Detailed comments on actions taken to be taken	Assessment of the Board	Implemented	Under implementation	Not implemented	Overtaken by events
		special requirements on the procurement of fundamental system services in the context of the Fund, if deemed necessary.						
8.	47	The Fund secretariat agreed with the Board's reiterated recommendation to: (a) continue to improve controls and efficiency of the participant reconciliation exceptions process to ensure that the discrepancies are identified and reconciled with member organizations in a timely manner; and (b) prepare monthly and year-end contribution reconciliations to ensure the accuracy of the contributions and receivables recorded in pension system and financial statements.	The implementation of the integrated pension administration system will make the monthly contribution exchange between the Pension Fund and the member organizations feasible. At the same time, the interface project is continuing to work on the implementation of new interfaces with member organizations that are based on monthly contribution data exchange. The roll-out of the monthly interfaces within the system is not anticipated until 2016 and onwards, as a period for stabilization following the implementation of the system is needed in 2015.	The recommendation is under implementation.		X		
9.	51	The Fund secretariat agreed with the Board's recommendation to: (a) utilize and promote the online self-service as an additional tool in the certificate of entitlement process along with the smooth implementation of the integrated pension administration system; and (b) consider	Online access to the certificate of entitlement will be an additional tool to add convenience to the beneficiaries. Once the Fund goes live with the integrated pension administration system and after a reasonable stabilization period, the Fund will continue to seek more advanced service features in this area. Regarding the automatic signature verification, further refinements in this process are envisaged following the new integrated pension administration system platform go-live date and only after a reasonable stabilization period has passed.	The recommendation is under implementation.		X		

Paragraph	Recommendation	Detailed comments on actions taken to be taken	Assessment of the Board	Implemented	Under implementation	Not implemented	Overtaken by events
	establishing a practical plan to develop an automatic signature verification system or thumbprint/live image verification system to facilitate the certificate of entitlement process.						
10. 56	The Board recommends that the Investment Management Division draw lessons from the Murex system implementation and establish best practices for planning and managing information technology projects.	The Murex system was decommissioned as at 31 December 2014 pursuant to the decision taken by the Representative of the Secretary-General following the recommendation of the Division's Information and Communications Steering Committee and the refusal of Murex to extend the contract by six months. The Division documented and discussed lessons learned from the Murex implementation. The newly established Division Steering Committee is committed to using the lessons learned in future Division initiatives, i.e., the OMGEO enhancements project. The implemented functionalities offered by the Murex system were moved into the Charles River system, where possible. For these reasons, this recommendation should be closed.	In light of the position brought out by the Fund, the recommendation is deemed to be implemented.	X			
11. 59	The Board recommends that the Investment Management Division: (a) make a timely decision on the Charles River enhancement/ replacement based on its information technology strategy and study; (b) analyse the difficulties in the timely promotion of OMGEO and ensure the full and effective application of such a system where possible; and (c) strengthen communications and coordination among various sections within	(a) The newly established Division Information and Communications Technology Steering Committee did not recommend that Charles River be upgraded, as it will be replaced by the new order management system, Bloomberg AIM. The latter is at the moment under procurement. The Division is aiming to have it deployed on or before June 2016. (b) The OMGEO system has been leveraged fully to support electronic confirmation and affirmation of global equity trades. At the moment, all equity brokers are OMGEO enabled. (c) The communication throughout Division sections is strengthened through the newly established Steering Committee, which is composed of major Division users and Division information technology staff. For these reasons, this recommendation should be closed.	Implemented	X			

	Paragraph	*Recommendation*	*Detailed comments on actions taken to be taken*	*Assessment of the Board*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		the Division and comprehensively clarify respective responsibilities in the information technology system implementation, maintenance, promotion and management.						
12.	62	The Fund agreed with the Board's recommendation to effectively monitor and oversee the performance evaluation process and hold all managers and supervisors accountable for the effective use of the performance management and development system, to ensure that all staff members are properly evaluated in a timely manner, as required by United Nations policy.	The Chief Executive Officer emphasizes the need for completion of ePerformance documents and the Deputy Chief Executive Officer follows up with chiefs of units. The Executive Office continues to provide policy advice and advice regarding online training opportunities (Quikguide in Inspira) to enable staff to complete their ePerformance documents. Hands-on end-user support is also provided by the Office, when requested. Moreover, the Office sends update reminders to all staff requesting that they draft a workplan and participate in the midpoint review and end-of-cycle completion throughout the ePerformance cycle. Staff are requested to immediately contact the Office if they have any technical difficulties with Inspira ePerformance.	The recommendation is deemed to be implemented.	X			
Total				**12**	**9**	**3**	**–**	**–**
Percentage				**100**	**75**	**25**	**–**	**–**